This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT NO. 2605

LISTED MARCH 2, 1973.
5,250,000 shares of Common Stock with $1.00 par value of which 250,000 shares are subject to issuance.
Stock Symbol HTL
Post Section 4.5

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THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

HUGHES TOOL COMPANY

Incorporated in 1972, under the laws of the State of Delaware, United States of America

CUSIP 444492 10 2

CAPITAL SECURITIES AS AT FEBRUARY 23, 1973

SHARE CAPITAL	Authorized	Issued and Outstanding	To be Listed
Preferred Stock, par value U.S. $10 per share	1,000,000	—	—
Common Stock, U.S. $1 par value	20,000,000	5,000,000	5,250,000

1. APPLICATION

HUGHES TOOL COMPANY (the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 5,250,000 shares of its Common Stock, par value $1, of which 5,000,000 have been issued and are outstanding as fully paid and non-assessable and the remaining 250,000 have been reserved for issuance upon exercise of both qualified and non-qualified stock options pursuant to the 1972 Stock Option Plan of the Company. (See "Stock Option Plan" at page 23 of the Prospectus.)

2. REFERENCE TO PROSPECTUS

Reference is hereby made to the attached prospectus dated December 7, 1972, (the "Prospectus") which is incorporated herein and made a part hereof and referred to for additional information in connection with this applicaton.

3. HISTORY AND BUSINESS

The Company, which is a Delaware corporation having its principal and executive offices in Houston, Texas, is primarily engaged, directly and through subsidiaries and distributors, in the technological development, manufacture, sale and distribution of products for use in the drilling industry. Its principal products are drilling bits, used primarily in the oil and gas industry, and tool joints, used to connect sections of oil and gas well drill pipe. In addition, the Company manufactures other products including diggers, impactors, tunnelling equipment, aircraft quality precision gears, and certain other pieces of drilling equipment. The manufacturing facilities of the Company and its subsidiaries are located in Houston, Texas; Escobar, Argentina; Mexico City, D.F., Mexico; and Belfast, Northern Ireland. The Company and its subsidiaries employ approximately 4,200 persons worldwide. The Company is a successor to the Oil Tool Division of Summa Corporation, a corporation known, until the date of the Prospectus, as Hughes Tool Company, which was founded in 1908 and which carried on, until December, 1972, the business now carried on by the Company. Reference is made to "The Company", "Transfer of Assets", "Business" and "Property" at pages 3, 4, 14 and 19 respectively of the Prospectus.

4. STOCK RIGHTS OF COMMON AND PREFERRED STOCKS

Subject to the preferential rights of the holders of Preferred Stock which may be issued by authority of the Board of Directors as described under "Preferred Stock" at page 30 of the Prospectus, the holders of shares of the Company's Common Stock are entitled to cast one vote for each share held of record on all matters (but they may not cumulate their votes in the election of directors), to receive such dividends as may be declared by the Board of Directors out of legally available funds and to share pro rata in any distribution of the Company's assets. Holders of the Company's Common Stock do not have pre-emptive rights or other rights to subscribe for additional shares. The issued and outstanding shares of Common Stock are fully paid and non-assessable.

5. SUBSIDIARIES

The following table contains particulars of the Company's subsidiaries, each of which is, directly or indirectly, wholly owned:

Name	Jurisdiction of Incorporation	Capital Stock Authorized	Capital Stock Issued
Hughes Tool Company Limited	United Kingdom	1,000,000 shares common stock, par value £1	284,000 shares
Hughes Industries Limited*	Province of Alberta	20,000 shares common stock, no par value	3 shares
Hughes Tool Company of Australia Limited	State of Delaware, U.S.A.	10 shares common stock, par value $100	10 shares
Hughes Tool Company S.A.C.I.F.I.	Republic of Argentina	15,000,000 shares capital stock, par value $1 Argentina Peso	7,650,724 shares
Hughes Tool Co. de Mexico, S.A. de C.V.	Republic of Mexico	Series A — 5,000 shares capital stock, par value $80	5,000 shares
		Series B — 15,000 shares capital stock, par value $80	1,000 shares
Hughes de Mexico, S.A. de C.V.*	Republic of Mexico	Series A — 500 shares capital stock, par value $80	500 shares
		Series B — 19,500 shares capital stock, par value $80	none

Unless otherwise indicated, $= U.S. Dollar.

* Inactive corporation.

6. OPTIONS, ETC., RELATING TO SHARES

The Company has reserved 250,000 shares of Common Stock for issuance upon the exercise of both qualified and non-qualified stock options granted pursuant to its 1972 Stock Option Plan which was adopted by the Board of Directors on December 7, 1972. Options have been granted and are outstanding with respect to 62,500 shares of Common Stock. The Plan will be submitted to the shareholders for approval at the Company's first annual meeting to be held on April 25, 1973.

7. LISTING ON OTHER STOCK EXCHANGES

Applications are pending to list the 5,250,000 shares of Common Stock covered by this application on the New York and Montreal Stock Exchanges.

8. STATUS UNDER SECURITIES ACTS

The offering and sale of the 5,000,000 issued and outstanding shares of Common Stock of the Company were registered under the Securities Act of 1933, as amended, and 215,000 of such shares were also qualified for sale to the public in each of the provinces of Canada. In addition, the offering of 250,000 shares of Common Stock reserved for issuance upon the exercise of options granted under the 1972 Stock Option Plan has been duly registered under the Securities Act of 1933, as amended.

9. FISCAL YEAR

The fiscal year of the Company ends on December 31.

10. ANNUAL MEETINGS

The annual meeting of stockholders will be held on such date and at such place as the Board of Directors may designate. The Board of Directors has designated April 25, 1973, as the date for the first annual meeting.

11. HEAD OFFICE

The principal and executive offices of the Company are located at 5425 Polk Avenue, Houston, Texas 77023.

12. TRANSFER AGENTS

The transfer agents of the Company are: Morgan Guaranty Trust Company of New York, 25 Wall Street, New York, New York 10015; Texas Commerce Bank National Association, 712 Main Street, Houston, Texas 77002; The Royal Trust Company, 23rd Floor, Royal Trust Tower, Toronto, Canada M5W 1T9; and 630 Dorchester Boulevard West, Montreal, Canada.

All share certificates representing fully paid and non-assessable shares of the Common Stock will be mutually interchangeable and transferable by the transfer agent in Toronto, Montreal or New York.

13. TRANSFER FEES

No fee is charged on stock transfers other than the customary government stock transfer taxes.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereby and any representation to the contrary is an offense.

215,000 Shares

Hughes Tool Company

Common Stock

(Par Value $1.00 Per Share)

An aggregate of 5,000,000 shares of Common Stock are being offered for sale, 215,000 of which are being offered by the Canadian Underwriter and 4,785,000 of which are being offered by the United States and European Underwriters. See "Underwriting". All of the shares of Common Stock of the Company offered hereby are being sold by Summa Corporation (the corporation known until the date of this Prospectus as Hughes Tool Company). **The Company will not receive any of the proceeds from such sale.** Upon completion of the offering, Summa Corporation will not own any shares of Common Stock of the Company. See "Transfer of Assets" herein.

Prior to this offering, there has been no market for the Common Stock of the Company. The public offering price has been determined by agreement between Summa Corporation and the Underwriters. For information regarding the factors considered in determining the public offering price, see "Underwriting" herein. Applications have been made to list the shares of Common Stock on the Toronto and Montreal Stock Exchanges. Acceptance of the listing will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	**Underwriting Commission**	**Proceeds to Selling Stockholder(2)**
Per Share(1)	Cdn. $30.00	Cdn. $1.50	Cdn. $28.50
Total(1)	Cdn. $6,450,000	Cdn. $322,500	Cdn. $6,127,500

(1) All dollar figures used herein, unless otherwise indicated, are stated in United States dollars. The offering price in Canada reflects conversion of U.S. dollars into Canadian dollars rounded to the nearest $.0125. On December 6, 1972 the mean of the bid and asked prices for the Canadian dollar, as quoted in New York City, was $1.00 = $1.0007 U.S.

(2) Before deducting expenses relating to the Canadian offering, payable by Summa Corporation, estimated at Cdn. $20,000. Proceeds from the offering of the 5,000,000 shares, before deducting expenses, are estimated to be $142,500,000 U.S.

We, as principals, conditionally offer these shares subject to prior sale, if, as and when delivered to and accepted by us in accordance with the conditions contained in the Purchase Agreement referred to under "Underwriting" and subject to the approval of all legal matters by counsel. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Common Stock will be made on or about December 14, 1972, but not later than December 31, 1972.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMPANY'S COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE COMPANY

Hughes Tool Company (the "Company") was incorporated in Delaware on September 14, 1972 for the purpose of acquiring the business and assets of the Oil Tool Division of Summa Corporation (formerly Hughes Tool Company, see "Transfer of Assets"). Upon completion of such acquisition the Company will be, and its predecessor has been for many years, the largest manufacturer of oil and gas well drilling bits in the United States and one of the largest in the world. The executive and head offices of the Company are located at 5425 Polk Avenue, Houston, Texas 77023 and its telephone number at that address is 713-926-3101. Unless the context otherwise requires, the term "Company" as used herein includes the Company's predecessors and subsidiaries.

Although the business of the Oil Tool Division of Summa Corporation will not be conducted by the Company until the consummation of the transactions described below under "Transfer of Assets," the information and descriptions contained in this Prospectus will, unless otherwise specified, assume that such operations have been conducted by the Company for the periods indicated.

The Company's business was founded in 1908 to develop, manufacture and distribute a rock drilling bit which was patented by Howard R. Hughes, Sr. in 1909. The patented bit, which employed rolling cutter cones to facilitate rotary drilling through rock formations, was a significant factor in the development of the oil and gas well drilling industry. Although major improvements have been made in the intervening years, substantially all rotary drilling bits in use today employ the principle of the 1909 bit.

The technological development, manufacture and distribution of drilling bits have constituted the Company's principal activities throughout its history. In connection with the development of bits for drilling oil and gas wells, the Company has developed and manufactures tool joints for joining sections of drill pipe; drilling bits for the placement of explosive charges in mining, quarrying, and seismic exploration work; and cutter bits for various types of large diameter drilling. The Company also manufactures diggers and impactors used in the construction industry, aircraft quality precision gears and certain other pieces of drilling equipment.

Litigation Involving Summa Corporation

Reference is made to "Transfer of Assets" and "Litigation" for a discussion of the Company's possible liability for significant litigation pending against Summa Corporation. The Company will not expressly assume any such liability and will be indemnified by Summa Corporation against any such liability. The management of the Company is of the opinion, in view of all the circumstances relating to such litigation including the legal opinions of counsel representing Summa, that Summa has the financial resources to satisfy the claims, if any, on account of the described indemnification.

Howard R. Hughes in his individual capacity will guarantee Summa's obligation of indemnity. Mr. Hughes will have no liability under his guarantee unless and until, and then only to the extent that (1) liability shall have been established against Summa under its indemnity either by a resolution of its board of directors acknowledging such liability or by a final judgment of a court of competent jurisdiction, and (2) the amount of such liability has not been paid in full by Summa within forty-five days of the date that Summa's board of directors acknowledges such liability or that a final judgment is rendered by a court of competent jurisdiction. No representation has been authorized by Mr. Hughes as to his personal financial position, and none is made.

TRANSFER OF ASSETS

The Company was formed for the purpose of acquiring the business and assets of the Oil Tool Division of Summa Corporation, the corporation known until the date of this Prospectus as Hughes Tool Company (hereinafter referred to as "Summa Corporation"). All of the capital stock of Summa Corporation is owned by Howard R. Hughes and will continue to be owned by him after the consummation of the transactions described herein. Prior to the acquisition of the Oil Tool Division, the Company will not have conducted any business and its activities will have been limited to various organizational and other matters preparatory to such acquisition. The Oil Tool Division has been operated as a separate entity for many years and has its own management, employees and plant. The Oil Tool Division, together with its subsidiaries, will be transferred to the Company without interruption of or significant changes in its operations. The transfer will take place shortly after the date of this Prospectus. Immediately prior to the date of this Prospectus, the corporation known as Hughes Tool Company changed its name to Summa Corporation.

There will be transferred to the Company all assets used or connected with the operations and business of the Oil Tool Division, including real property, plant and equipment, inventories, the capital stock of subsidiaries, patents, trademarks and the right to use the trade name "Hughes Tool Company". Summa Corporation will transfer to the Company cash in such amount that the aggregate of cash and all other assets transferred, less all liabilities of the Oil Tool Division and certain affiliates (as such assets and liabilities are shown on a combined balance sheet (the "Closing Balance Sheet") certified by Haskins & Sells, independent certified public accountants, as of the opening of business on the date of transfer) shall not be less than $100,721,000, being the excess of assets over liabilities as shown on the combined balance sheet of Summa Corporation — Oil Tool Division and Certain Affiliates as of July 31, 1972 appearing elsewhere in this Prospectus. There will be transferred to the Company cash and cash equivalents, which, together with the cash and cash equivalents in the Affiliates, will aggregate $8,000,000.

The Oil Tool Division will continue to be operated for the benefit of Summa Corporation until the date of transfer. Summa Corporation anticipates that withdrawals of cash and certain cash equivalents, representing the earnings of the Oil Tool Division, will continue to be made from the Oil Tool Division to the general accounts of Summa Corporation up to the date of transfer. The Company will pay Summa Corporation the amount, if any, by which the aggregate of cash and all other assets transferred, less all liabilities of the Oil Tool Division as shown on the Closing Balance Sheet, exceeds $100,721,000. Any such obligation of the Company will be evidenced by a promissory note bearing interest at the prime rate prevailing from time to time of Texas Commerce Bank National Association, Houston, Texas and payable to Summa Corporation on or before the expiration of fourteen months from the date of closing.

In connection with the transfer of assets, the Company will assume all liabilities of the Oil Tool Division included in or reflected by the Closing Balance Sheet. The Company will also agree to assume all liabilities, duties and obligations under contracts entered into by Summa Corporation in the ordinary course of business of the Oil Tool Division, including liabilities under certain deferred compensation agreements with employees and former employees of the Company described under "Management — Remuneration" and obligations under the retirement and other employee benefit plans of the Oil Tool Division. The Company will not assume (a) any liabilities arising out of the legal proceedings referred to under "Litigation"; (b) any liabilities, duties and obligations under contracts not made in the ordinary course of business of the Oil Tool Division; or (c) any other liabilities not included in the liabilities shown on the Closing Balance Sheet.

The transfer of assets will be accounted for as a "purchase" and the "purchase price", the net proceeds of this offering plus the amount of liabilities assumed by the Company, will be allocated to the assets received. The allocation to certain non-current assets will be based on an independent appraisal. The financial position and results of operations of the Oil Tool Division have been adjusted in the pro forma combined balance sheet and the pro forma statement of combined income included in this Prospectus to reflect such accounting treatment on the basis of net proceeds from this offering of $141,625,000.

In view of the uncertain state of the authorities, counsel for the Company believe that the Company, as transferee of the Oil Tool Division assets, may be subject to liabilities of Summa Corporation not expressly assumed by it. In connection with the transfer of the Oil Tool Division assets, Summa Corporation will indemnify the Company against liabilities arising out of acts or omissions of Summa Corporation prior or incident to the transfer and not expressly assumed by the Company, including the matters described under "Litigation." Howard R. Hughes in his individual capacity will guarantee Summa Corporation's obligation to indemnify the Company against any such liability.

The Company will issue 4,999,960 shares of its Common Stock to Summa Corporation in exchange for the assets of the Oil Tool Division. The shares given in exchange for the assets, together with 40 initial shares which will be issued to Summa Corporation immediately after the date of this Prospectus, will be sold to the Underwriters by Summa Corporation. The acceptance of the shares by the Underwriters is subject to a number of conditions, and all of the transactions described above will be contingent upon the occurrence of the others. All such transactions will occur simultaneously at the closing of the offering made hereby, which is expected to occur approximately one week after the date of this Prospectus.

After the date of transfer, Summa Corporation will not own any shares of Common Stock of the Company and will not have any direct or indirect financial interest in the Company. None of the Company's directors, officers or employees will be directors, officers or employees of Summa Corporation. Certain officers of the Company, however, principally Mr. Holliday and Mr. Collier, had executive responsibilities as the chief operating officer and chief financial officer, respectively, of Summa Corporation for operations in addition to those of the Oil Tool Division. It is anticipated that a portion of their time and the time of certain other employees will be spent for up to six months in assisting in the transfer of such other responsibilities to officers of Summa Corporation. Certain employees who were engaged in the preparation and examination of income tax returns of Summa Corporation and Howard R. Hughes may confer with Summa Corporation from time to time in connection with the audit and review of such returns for a longer period. The Company will be reimbursed by Summa Corporation for salary, overhead and employee benefit plan costs for all of such services.

DIVIDENDS

While it is the present intention of the Board of Directors to declare cash dividends on a quarterly basis, there is no assurance as to the payment or rate of dividends, which are dependent upon such factors as the Company's earnings, financial position and cash requirements and such other considerations as may be deemed relevant.

CAPITALIZATION

The table below sets forth the combined capitalization of the Company and its subsidiaries as at July 31, 1972 and as at October 31, 1972, in each case adjusted to reflect the acquisition of the Oil Tool Division assets and the issuance of Common Stock in exchange therefor, as described under "Transfer of Assets".

	Outstanding as at July 31, 1972	Outstanding as at October 31, 1972
Short term notes payable to banks	$155,179	$277,642
Capital stock:		
Preferred stock, par value $10.00 per share, 1,000,000 shares authorized, outstanding	None	None
Common stock, par value $1.00 per share, 20,000,000 shares authorized, outstanding(1)	5,000,000 shs.	5,000,000 shs.

(1) The Company has reserved 250,000 shares of Common Stock for issuance upon exercise of options which may be granted pursuant to the Company's stock option plan (see "Management — Stock Option Plan").

(2) See note 8 to the combined financial statements for the Company's obligation for lease rentals.

The Company has a $20,000,000 line of credit from a group of banks at the prime rate. Although the Company may incur short-term borrowings from time to time, it presently contemplates no additional need for external capital funds. The Company may, however, be required to issue a promissory note to Summa Corporation pursuant to the terms of the transfer (see "Transfer of Assets").

STATEMENT OF COMBINED INCOME

The following statement of combined income includes the operations of the Oil Tool Division of Summa Corporation (formerly Hughes Tool Company) and the operations of certain affiliates operating in foreign countries (see Note A below). The statement (before pro forma adjustment) for the five full years ended December 31, 1971 and the seven months ended July 31, 1972 has been examined and the application of the pro forma adjustment for such periods has been reviewed by Haskins & Sells, independent certified public accountants, whose opinion thereon appears elsewhere in this Prospectus. The statement for the seven months ended July 31, 1971 is unaudited; in the opinion of management, such unaudited statement includes all adjustments (which comprise only normal recurring accruals) necessary for a fair presentation of the results for such period. The following statement should be read in conjunction with its notes and with other combined financial statements and their notes included elsewhere in this Prospectus.

	Year Ended December 31					Seven Months Ended July 31	
	1967	1968	1969	1970	1971	1971 (Unaudited)	1972
	(In thousands)						
Net sales	$70,978	$77,254	$82,039	$81,923	$82,227	$44,162	$54,631
Cost of sales	46,363	50,581	54,713	54,922	56,614	30,062	34,490
Gross margin	24,615	26,673	27,326	27,001	25,613	14,100	20,141
Selling, general, and administrative expenses (Note A)	16,880	17,120	18,128	18,455	18,772	10,407	10,775
Operating income	7,735	9,553	9,198	8,546	6,841	3,693	9,366
Other income (expense):							
Royalties	394	923	604	709	661	380	363
Interest	673	741	600	615	573	405	315
Gain (loss) on sale of fixed assets	(178)	(8)	232	(40)	(26)	(7)	(33)
Other — net (Note A)	(3)	(10)	54	91	76	(45)	313
Other income (expense) — net	886	1,646	1,490	1,375	1,284	733	958
Income before provision for foreign income taxes	8,621	11,199	10,688	9,921	8,125	4,426	10,324
Provision for foreign income taxes (Note E)	546	993	1,062	1,175	827	528	420
Historical net income	8,075	10,206	9,626	8,746	7,298	3,898	9,904
Pro forma adjustment (Note F):							
Provision for federal and state income taxes before investment tax credits	3,965	4,853	4,438	3,353	3,063	1,376	4,080
Less investment tax credits	116	115	222	59	28	14	76
Remainder	3,849	4,738	4,216	3,294	3,035	1,362	4,004
Pro forma net income	$ 4,226	$ 5,468	$ 5,410	$ 5,452	$ 4,263	$ 2,536	$ 5,900

NOTES TO STATEMENT OF COMBINED INCOME

A. The above statement combines the operations of the Oil Tool Division of Summa Corporation and certain affiliates (see note 1 to the combined financial statements). Combined net sales and net income (loss) of these affiliates, included in the above statement, are as follows (in thousands):

	Year Ended December 31					Seven Months Ended July 31	
	1967	1968	1969	1970	1971	1971	1972
Net sales	$7,790	$8,758	$10,575	$13,331	$12,604	$6,955	$7,352
Historical net income (loss) — including translation gains and losses	$ (236)	$ 834	$ 972	$ 1,743	$ 838	$ 982	$1,407
Translation gains and (losses) — included in selling, general and administrative expenses.	$ (874)	$ (83)	$ 1	$ (279)	$ (716)	$ (175)	$ (121)

See note 1 to the combined financial statements for information relating to inflationary conditions in Argentina. Net income (loss) of the Argentine affiliate for the five years ended December 31, 1971 and the seven months ended July 31, 1971 and 1972 amounted to (in thousands) $145, $66, $195, $847, $(420), $262, and $505, respectively. A currency devaluation in Argentina accounted for the net loss of the Argentine affiliate in 1971. A realized currency exchange gain of $334,000 by the Argentine affiliate during the seven months ended July 31, 1972 is included in other income in the above statement.

B. Reference is made to note 4 to the combined financial statements for information relating to retirement plans. Retirement plan expense for the five years ended December 31, 1971 and the seven months ended July 31, 1971 and 1972 was (in thousands) $2,386, $2,394, $2,424, $2,344, $2,160, $1,261, and $1,072, respectively.

C. Reference is made to note 5 to the combined financial statements for information relating to consulting agreements with several officers and key employees. Related expense during the five years ended December 31, 1971 and the seven months ended July 31, 1971 and 1972 was (in thousands) $108, $170, $181, $160, $180, $97, and $81, respectively.

D. The Oil Tool Division, with approval of the Board of Directors of Summa Corporation, follows the practice of paying executive bonuses to its officers and key employees under an informal and discretionary bonus plan. Executive bonus expense for the five years ended December 31, 1971 and the seven months ended July 31, 1971 and 1972 was (in thousands) $192, $271, $601, $283, $453, $200, and $480, respectively. Reference is made to "Management — Remuneration" for the basis of computing future bonus payments.

E. Operating losses and the exclusion from taxable income of certain income arising from exports in prior years have created tax loss carryforwards at July 31, 1972 (in thousands) of $1,188 and $414 for the affiliates operating in Argentina and Mexico, respectively. These tax loss carryforwards are available in decreasing amounts to offset future taxable income in Argentina through 1981 and in Mexico through 1975.

F. State income taxes incurred by Summa Corporation were not allocated to the Oil Tool Division. Summa Corporation had elected, as permitted under Subchapter S of the Internal Revenue Code, not to be taxed as a corporation. A pro forma adjustment has been made in the statement of combined income to give effect to the provision for state income taxes (which were not material) and federal income taxes (after deducting investment tax credits) which would have been required had the Oil Tool Division been a corporation filing separate tax returns.

The pro forma federal income tax provision does not include any additional tax on earnings of operations in foreign countries because (1) such earnings are considered by management as being permanently invested and (2) if such earnings were returned in the form of dividends, such taxes would be offset by foreign tax credits.

Unaudited combined net sales and pro forma net income for the nine months ended September 30, 1971 and 1972 were as follows (in thousands):

	Nine Months Ended September 30	
	1971	1972
Net sales	$59,031	$71,777
Pro forma net income	$ 3,622	$ 7,911

In the opinion of management, all adjustments (which comprise only normal recurring accruals) necessary for a fair presentation of the results for such periods have been made.

The Company's sales and earnings are dependent to a large degree on the level of oil and gas well drilling activity. As measured by new well footage, drilling activity has declined sharply in the last 15 years and the intensification of competitive conditions in the drilling bit market has had an adverse effect on the Company's market share. In addition, the number of bits sold by the Company has also declined, partly because of technological improvements increasing the useful life of the bits. Together, these factors have resulted in a material decline in the Company's sales in the last 15 years. Since the manufacture of drilling bits involves high fixed costs, the decline in sales of drilling bits brought about a greater percentage decline in earnings during this period. In recent years, however, the effect of declining unit production of drilling bits on the Company's sales and earnings has been substantially offset by increased sales of improved bits at higher unit prices.

The Company believes that the increase in sales and earnings during the first nine months of 1972 as compared with the 1971 period is attributable primarily to increased drilling activity and to the commercial acceptance of one of the Company's new products, the journal bearing bit (see "Business — Products").

PRO FORMA STATEMENT OF COMBINED INCOME

The following pro forma statement of combined income of Hughes Tool Company (formerly Hughes Oil Tool, Inc.) is based on the statement of combined income of the Oil Tool Division of Summa Corporation and certain affiliates appearing elsewhere in this Prospectus and gives effect on a purchase basis to the transfer of assets of the Oil Tool Division to the Company as if such transfer had taken place and the indemnification of the Company by Summa Corporation (see "Transfer of Assets") had been in effect at the beginning of the periods indicated below. The application of the pro forma adjustments for the year ended December 31, 1971 and the seven months ended July 31, 1972 has been reviewed by Haskins & Sells whose opinion thereon appears elsewhere herein. This statement should be read in conjunction with its notes and with other financial statements and their notes appearing elsewhere in this Prospectus.

(In thousands, except per share amounts)

	Year Ended December 31, 1971			Seven Months Ended July 31 — 1971 (Unaudited)			Seven Months Ended July 31 — 1972		
	Historical Combined	Pro Forma Adjustments Debit (Credit)	Pro Forma Combined	Historical Combined	Pro Forma Adjustments Debit (Credit)	Pro Forma Combined	Historical Combined	Pro Forma Adjustments Debit (Credit)	Pro Forma Combined
Net sales	$82,227		$82,227	$44,162		$44,162	$54,631		$54,631
Cost of sales	56,614	(1)$ 564	57,178	30,062	(1)$ 342	30,404	34,490	(1)$ 326	34,816
Gross margin	25,613	564	25,049	14,100	342	13,758	20,141	326	19,815
Selling, general, and administrative expenses	18,772	(1) 141 (2) (59)	18,854	10,407	(1) 85 (2) 10	10,502	10,775	(1) 82 (2) 40	10,897
Operating income	6,841	646	6,195	3,693	437	3,256	9,366	448	8,918
Other income (expense) — net	1,284	—	1,284	733	—	733	958	—	958
Income before provision for income taxes	8,125	646	7,479	4,426	437	3,989	10,324	448	9,876
Provision for income taxes	3,862	(3) (177)	3,685	1,890	(3) (132)	1,758	4,424	(3) (137)	4,287
Net income	$ 4,263	$ 469	$ 3,794	$ 2,536	$ 305	$ 2,231	$ 5,900	$ 311	$ 5,589
Earnings per share (based on 5,000,000 shares to be outstanding)			$ .76			$ .45			$1.12

A. The above statement gives effect to the following pro forma adjustments:

(1) Change in depreciation and amortization expense to reflect the changes in values and lives assigned to depreciable and amortizable assets based on an independent appraisal. See Note A-1 to the pro forma combined balance sheet.

(2) Adjustment to executive bonus expense to reflect computation of bonus under new plan (see "Management — Remuneration"). Previously, bonuses were paid under an informal and discretionary plan. See Note D to the statement of combined income.

(3) Tax effect of above adjustments.

B. The above statement does not include any adjustment for imputed interest relating to either (1) the capital transfers set forth in note 7 to the combined financial statements since it is presently contemplated that no additional external capital funds will be needed (see "Capitalization") or (2) the repayment of the excess of the net worth at the date of transfer over the net worth at July 31, 1972 (see "Transfer of Assets") since the amount of such excess, if any, is not presently determinable.

Unaudited pro forma net sales, net income, and earnings per share for the nine months ended September 30, 1971 and 1972 were as follows:

	Nine Months Ended September 30	
	1971	1972
	(In thousands, except per share amounts)	
Net sales	$59,031	$71,777
Net income	$ 3,237	$ 7,488
Earnings per share (based on 5,000,000 shares to be outstanding)	$ .65	$ 1.50

The above amounts are based on the historical combined results of operations adjusted to give effect to the pro forma adjustments set forth in Note A to the pro forma statement of combined income.

PRO FORMA COMBINED BALANCE SHEET

July 31, 1972

The following pro forma combined balance sheet of Hughes Tool Company (formerly Hughes Oil Tool, Inc.) is based on the combined balance sheet of the Oil Tool Division of Summa Corporation and certain affiliates appearing elsewhere in this Prospectus and gives effect on a purchase basis to the transfer of assets of the Oil Tool Division to the Company as if such transfer had taken place and the indemnification of the Company by Summa Corporation (see "Transfer of Assets") had been in effect at July 31, 1972. The application of the pro forma adjustments has been reviewed by Haskins & Sells whose opinion thereon appears elsewhere herein. This statement should be read in conjunction with its notes and with other financial statements and their notes appearing elsewhere in this Prospectus.

	(In thousands)			
	Historical Combined	Pro Forma Adjustments(A) Debit	Pro Forma Adjustments(A) Credit	Pro Forma Combined
ASSETS				
CURRENT ASSETS:				
Cash	$ 1,954			$1,954
Certificates of deposit	4,400			4,400
Marketable securities	825			825
Accounts and notes receivable	18,722			18,722
Inventories	48,254			48,254
Prepaid expenses	73			73
Total current assets	74,228			74,228
PROPERTY	30,333	(1)$ 26,685		57,018
OTHER ASSETS AND DEFERRED CHARGES:				
Prepaid retirement plan costs	3,346		(4)$ 3,346	
Annuities purchased to fund consulting agreements	1,328			1,328
Patents	391	(1) 840		1,231
Other	1,478			1,478
License agreements, drawings, etc. (B)		(1) 5,629		5,629
Excess of estimated net proceeds over amounts assigned to net assets purchased (to be amortized over 40 years)		(2) 11,096		11,096
Total other assets and deferred charges	6,543	17,565	3,346	20,762
TOTAL	$111,104	$ 44,250	$ 3,346	$152,008
LIABILITIES				
CURRENT LIABILITIES:				
Notes payable to banks	$ 155			$ 155
Accounts payable — trade	3,812			3,812
Accrued liabilities	6,006			6,006
Total current liabilities	9,973			9,973
OTHER LIABILITIES — Accrued consulting agreements expense	410			410
STOCKHOLDERS' EQUITY:				
Net assets	100,721	(3)$100,721		
Preferred stock: authorized, 1,000,000 shares, $10 par value; outstanding, none.				
Common Stock: authorized, 20,000,000 shares, $1 par value; outstanding, 5,000,000 shares (C)			(3)$ 5,000	5,000
Additional paid-in capital			(3) 136,625	136,625
Stockholders' equity	100,721	100,721	141,625	141,625
TOTAL	$111,104	$100,721	$141,625	$152,008

Approved on behalf of the Board:

(SIGNED) JAMES R. LESCH, Director

(SIGNED) C. J. COLLIER, JR., Director

NOTES TO PRO FORMA COMBINED BALANCE SHEET

A. The above statement has been adjusted to give pro forma effect to the transfer of the net assets of the Oil Tool Division and certain affiliates in exchange for 5,000,000 shares of common stock (see "Transfer of Assets"). The value assigned to the assets transferred is equal to the net proceeds from the sale of common stock offered hereby (estimated at $141,625,000), plus the liabilities assumed. Such pro forma adjustments reflect the following:

1. Adjustments of certain non-current assets based on an independent appraisal thereof. Based on above estimated net proceeds, there will be no significant differences between values assigned to net assets for accounting and tax purposes. Details relating to property are as follows:

Classification	Historical Combined	Pro Forma (Based on Appraisal)	Depreciation Rates: Historical Combined	Depreciation Rates: Pro Forma (Based on Remaining Life)
	(In thousands)			
Land	$ 1,192	$ 2,915		
Buildings and improvements	18,708	11,449	10-33 years	18.3-30 years
Machinery and equipment	47,128	37,527	6-12 years	8.5-10.5 years
Transportation equipment	3,049	1,950	3-8 years	3-8 years
Furniture and fixtures	1,532	948	8-12 years	6-10 years
Construction in progress	2,229	2,229		
Total	73,838	57,018		
Less accumulated depreciation	43,505			
Net property	$30,333	$57,018		

2. Excess of estimated net proceeds over amounts assigned to net assets transferred.

3. Estimated net proceeds.

4. The elimination of prepaid retirement plans costs, inasmuch as such costs have been taken into account in the computation of the unfunded prior service cost obligation to be assumed under such plans (see "Transfer of Assets").

B. The Company plans to continue the previous practice of charging to expense, as incurred, the costs of obtaining new license agreements, producing drawings, etc. and to amortize over 40 years the value assigned to similar assets acquired in the transfer of assets. Periodically the Company will review such assets to determine that the unamortized balance is not in excess of the estimated current value.

C. For shares reserved for stock option plan, see "Management — Stock Option Plan".

General

The Company is primarily engaged in the technological development, manufacture and distribution of products for use in the drilling industry. Its principal products are drilling bits, used primarily in the oil and gas industry as well as the mining, construction and seismic industries, and tool joints, used to connect sections of oil and gas well drill pipe. In addition, the Company manufactures other products including diggers, impactors, tunneling equipment, aircraft quality precision gears and certain other pieces of drilling equipment.

The following table sets forth the total net sales of the Company's principal products for the indicated periods.

	Year Ended December 31					Seven Months Ended July 31	
	1967	1968	1969	1970	1971	1971	1972
				(In thousands)			
Drilling Bits	$50,490	$56,760	$60,652	$62,174	$61,395	$33,326	$41,355
Tool Joints	8,832	11,200	13,412	12,594	13,990	7,281	8,838
Other Products	11,656	9,294	7,975	7,155	6,842	3,555	4,438
Total	$70,978	$77,254	$82,039	$81,923	$82,227	$44,162	$54,631

The Company believes that sales of drilling bits are more profitable per dollar of sales than tool joints, although the Company's manufacturing operations are integrated and accurate cost allocations between the two products are not possible. The Company believes that no one of its other activities is as profitable as the manufacture of drilling bits or tool joints, and that, in the aggregate, such activities have incurred losses in several of the past five years. Such losses have not been material.

A significant portion of the Company's sales is made abroad. The Company believes that its export sales and foreign operations, taken as a whole, generate profits which are comparable per dollar of sales to its domestic operations. The Company's foreign operations, however, are subject to certain additional risks (see "International Operations").

In 1971 the Company's largest customer accounted for approximately 4% of its total net sales and its 20 largest customers, including foreign dealers, accounted for approximately 27%.

Products

Drilling Bits. The Company manufactures approximately 400 basic sizes and types of bits used in the drilling of oil and gas wells. Bits are designed for use in a specific type of formation and range in size from 3¾ inches to 26 inches in diameter and in price from approximately $150 to $4,300. All of the oil and gas well drilling bits manufactured by the Company employ the rolling cutter cone principle; the cones are attached to the head of the bit so that the teeth of the cones roll against the bottom of the hole in a constant cutting motion.

The design of the teeth, the bearings on which the cutter cones rotate, the lubrication system and the metallurgical qualities of the bit components are all critical factors in bit performance and are subject to careful engineering and quality control. The type, shape and spacing of the cutting teeth are designed to maximize the rate of penetration and durability of the bit and vary according

to the characteristics of the rock which the bit was designed to drill. For use in softer formations, the Company manufactures bits with milled steel teeth, which cut or crush the rock at the bottom of the hole. The cutting edges of the teeth are hardfaced with tungsten carbide, an extremely hard metal alloy, for resistance to wear. The density and hardness of many formations, however, is such that steel teeth wear rapidly. For use in such formations, the Company manufactures "Hugheset" bits with teeth, called "compacts," which are formed separately of sintered tungsten carbide and are pressed into holes drilled in the cutter cones. The teeth of these bits fracture the rock by the application and release of intense pressure.

The design and manufacture of the bearings on which the cutter cones rotate are important because of the great weight, frequently more than 40 tons, applied to the bit as it rotates on the bottom of the hole. The Company manufactures bits having conventional ball and roller bearings, which are economical for use in formations where the useful lives of the cutting teeth do not greatly exceed that of the ball and roller bearings. In many formations, however, particularly in very hard formations, ball and roller bearings tend to fail before the teeth. To extend bearing life in those formations, the Company developed and in 1971 introduced a bit using a journal bearing, which has no principal moving parts that are weight bearing other than the cone itself. The journal bearing bit has a useful life several times as long as the ball and roller bearing bit. The Company believes that its competitors do not currently market a bit with performance characteristics equal to those of its journal bearing bit (see "Patents").

An integral part of bearing design is the system which lubricates the bearing. In simpler types of bits manufactured by the Company, a lubricating effect is provided by the circulation of air or drilling fluid. Where extended bearing life is a critical factor, however, the bearings must be self-lubricated and sealed to keep out the drilling and formation fluids. The Company's "X-Line" ball and roller bearing bits and its journal bearing bits have seals of a design developed and patented by the Company (the validity of the journal bearing seal patent has been challenged by one of the Company's competitors, see "Litigation"). Many of the sealed bearings also have patented pressure compensating valves to reduce the incidence of seal ruptures by controlling pressures inside the lubrication system.

The metallurgical qualities of all bits are carefully engineered and controlled. The Company's research laboratory conducts qualification tests on steel and other raw materials as they are received. Several parts of the bit undergo processes to increase the hardness or strength of the metal. The Company uses tungsten carbide hardfacing on the surfaces of the teeth of milled cutter bits and parts of the bit body which are subject to abrasion. Bearing and cone surfaces are treated to increase hardness by a process known as carburization, in which carbon is introduced into the metal at high temperatures. The load bearing surfaces of the "Hugheset" journal bearing bits are manufactured with silver alloy inlays to reduce friction.

The Company also manufactures a line of industrial drilling bits, some of which are similar in basic design to oil and gas well drilling bits. The principal uses for industrial bits are to drill holes for the placement of explosive charges in mining, quarrying and construction, and to drill water wells.

Tool Joints. The Company also manufactures and attaches tool joints to drill pipe which is manufactured by steel mills. A tool joint is comprised of two threaded steel forgings (a "pin" and a "box") attached to either end of a section of drill pipe which permits the drill pipe to be joined together in a string. Many of the tool joints manufactured by the Company have tungsten

carbide hardfacing on the outside to resist wear and all have copper plating on the threads to prevent the threads from locking together. Substantially all of the tool joints manufactured by the Company are integrally welded to the drill pipe in a special process developed by the Company, known as the "Flashweld" process, although the Company still manufactures a small number of "Sealgrip" tool joints which are replaceable in the field.

Other Products. Other products include diggers, which are truck-mounted earth-boring machines used to dig holes for the emplacement of utility poles and foundation piers; impactors, which are tractor-mounted, hydraulically operated jack hammers used in demolition work; and large diameter hole drilling equipment used to drill mining shafts and tunnels. Since 1969, the Company has manufactured precision gears for helicopter transmissions for the Aircraft Division of Summa Corporation on a purchase order basis. The Company has developed the capacity to manufacture precision gears for other applications, although such activity is not currently significant in the Company's operations. The Company also manufactures certain other pieces of drilling equipment, currently the most important of which is the "Soft-Shoc" drill string shock absorber used to absorb vibrations transmitted through the string of drill pipe.

Domestic Manufacturing and Marketing

The Company's principal manufacturing facility is its Houston, Texas plant. At this plant, the Company converts special alloy steels into billets, forges the billets, and machines the forgings into cutter cones, bit body sections and tool joints. Much of the machining work is done by programmed machines. The Company manufactures substantially all of the other parts of drilling bits at the Houston facility, including bearings and tungsten carbide teeth, although a portion of the tungsten carbide teeth is being purchased from an outside manufacturer. The Company purchases all of the raw materials used in its manufacturing operations at its Houston plant on the open market, except tungsten, which is purchased under a requirements contract that will be allowed to expire in December 1972. The Company keeps a 30-day supply of steel on hand at its Houston plant, and believes that all raw materials needed in its domestic operations, including tungsten, are in reasonable supply on the open market.

The Houston plant also contains the tool joint manufacturing and attachment facilities and the impactor, digger and precision gear manufacturing facilities.

The Company markets its oil and gas well drilling bits in the United States through its eastern and western sales offices and nine area sales offices which employ approximately 180 drilling technicians and salesmen who visit substantially all of the rotary drilling rigs operating in the United States twice each week. Bits are maintained at 68 stocking points located throughout oil and gas producing areas of the country. Company salesmen deliver bits directly to the drilling contractor or operator and offer assistance in bit selection, operating practices, well programming and other technical matters. In addition to the services offered by its salesmen, each area sales office maintains extensive records on local formations and drilling conditions which are available to drilling contractors and operators. The Company periodically conducts a drilling seminar at its Houston office. When bits are used, the Company invoices the local authorized oilfield supply house with which the contractor or operator has credit arrangements for the list price of the bits less a standard discount. Uncollectible accounts resulting from this billing method have been negligible.

Bits are sold under the Hughes name in essentially the same manner in Canada. Bits sold in Canada are produced by the Company's Canadian licensee, which manufactures bit body sections and assembles complete bits using cones and bearings purchased from the Company.

The Company does not purchase or sell drill pipe but manufactures and attaches tool joints to drill pipe furnished by others on a special order basis. This product is billed through drill pipe suppliers, many of which maintain inventories of pipe at the Houston plant.

The Company also employs approximately 50 salesmen who market the Company's industrial products in the United States and Canada.

International Operations

A significant portion of the Company's sales is made abroad. In addition to direct export sales from the Houston plant, subsidiaries of the Company manufacture certain bits and bit parts at Belfast, Northern Ireland and Escobar, Argentina. A third subsidiary owns a plant outside Mexico City, Mexico which machines cones for the Company's Mexican licensee. None of such subsidiaries manufactures bearings or certain other small components of bits and such items are purchased from the Houston plant. The foreign plants also rely on open market purchases for raw materials, and none has experienced any significant shortages. Foreign manufacturing operations are subjected to numerous quality controls by the Houston laboratory.

Generally, the finished drilling bits manufactured by the Houston plant and by the Company's subsidiaries at their foreign plants are sold to dealers or directly to the end user, usually major operating companies. In addition to the Company's approximately 35 international salesmen, the Company is represented by dealers in over 20 countries. The Company also has licensees located in Brazil, Italy and Mexico which are licensed to manufacture bit bodies, to assemble complete bits using cones and bearings purchased from the Company, and to sell bits under the Hughes name in certain foreign countries.

The Company's international operations are subject to certain risks inherent in doing business abroad. The Company's Argentine subsidiary experienced a significant loss through a currency devaluation in 1971, and its profitability continues to be adversely affected by inflationary conditions in Argentina. The Argentine subsidiary suffered a net loss of $420,000 for the year ended December 31, 1971. Differing governmental policies and the possibility of restrictive regulations of investment or of currency movement either by the United States or any foreign government may adversely affect to some extent the operations of any of the Company's foreign subsidiaries.

The Belfast plant has not experienced significant operational difficulties as a result of the current disruptions in Northern Ireland.

The table below sets forth for the periods indicated certain information regarding the Company's foreign revenues and its gross margin (revenues less cost of sales) from foreign operations.

	Year Ended December 31					Seven Months Ended July 31	
	1967	1968	1969	1970	1971	1971	1972
	(In thousands)						
Direct Sales From Houston Plant	$13,030	$16,525	$16,153	$17,448	$19,255	$10,885	$11,759
Direct Sales by Subsidiaries	7,216	8,069	9,674	12,664	11,493	6,371	6,791
Revenues From Licensees	4,802	5,464	6,202	5,708	5,755	2,969	4,290
Total Foreign Revenues	$25,048	$30,058	$32,029	$35,820	$36,503	$20,225	$22,840
Gross Margin	$ 8,164	$10,746	$10,496	$11,828	$10,933	$ 6,468	$ 7,567

In 1971 the Company's largest foreign customer, Yacimientos Petroliferos Fiscales, the Argentine state-owned oil company, accounted for approximately 9% of the Company's total foreign revenues and approximately 60% of the total sales of the Company's Argentine subsidiary. The Company's 10 largest foreign customers, including dealers, accounted for approximately 37% of total foreign revenues for the year ended December 31, 1971.

Research and Development

The Company maintains a research laboratory at the Houston plant and employs 69 engineers and graduate degree personnel in its research and development program. The Company expended approximately $1,998,000 on research and development in 1970 and approximately $1,943,000 in 1971. In addition to its engineering work, the laboratory manufactures prototypes of experimental bits which are run in the field and are brought back to the laboratory for extensive metallurgical and other tests. Although research and engineering of drilling bits account for the largest portion of the research laboratory's budget, it devotes a significant amount of its resources to research and engineering of the Company's other products. Other functions of the laboratory are the analysis of samples of raw materials used in the Company's domestic and foreign manufacturing operations, control of metallurgical processes, the development of quality assurance techniques and basic research in specialized tools and drilling methods.

Patents

The Company owns approximately 80 patents of which approximately 35 are in active use. Of these patents, currently the most commercially significant are the three covering certain aspects of the journal bearing (see "Products — Drilling Bits"), which expire in 1983, 1985 and 1986. Currently the second most commercially important set of patents are those covering the sealed, lubricated ball and roller bearings used on the Company's "X-Line" bits, the first of which expires in 1980. The Company has successfully brought action against two of its competitors for infringement of one of the "X-Line" bearing patents, in the course of which suits the patent was held to be valid (one of such suits is currently on appeal). Two of the patents on the Hugheset bit and the patent on the "H-90" tool joint thread, which have been commercially significant patents in the past, expire in 1973.

Patent applications are generated in the ordinary course of research and development activities, and at present the Company has 19 such applications on file. It is not possible to predict whether any particular patent will be granted or whether, if granted, any of them will become commercially significant.

The Company holds patents in one or more foreign countries paralleling its United States patents on approximately 65 inventions. The Company also holds numerous domestic and foreign trademarks covering certain product names.

The Company's patents, as such, have not secured long-term competitive advantages to the Company in recent years. In many instances, the Company's principal competitors have been able to develop competitive products in a relatively short period of time. The Company believes that the patents relating to its journal bearing bit (see "Products — Drilling Bits"), however, are currently conferring a material competitive advantage on the Company in that area. The validity of one of these patents has been challenged in a request for a declaratory judgment filed by a competitor in June 1972, on the ground that it lacked novelty and was obvious (see "Litigation"). Although the Company regards its patents to be of

importance, it does not deem its business as a whole to be materially dependent on any one or more patents or generally on patent protection.

Competition

The Company believes that the results of research and development activities are critical to the maintenance or improvement of competitive position within the industry. Therefore, the Company believes that expertise, which does not depend entirely on size, tends to be the principal determinant of competitive success.

The Company's principal competitors in the domestic rock bit market are Smith Tool Company, a subsidiary of Smith International, Inc., Reed Tool Company (formerly G. W. Murphy Industries, Inc.), and Security Operations, a division of Dresser Industries, Inc., all of which maintain research and development programs. Reed Tool Company is the Company's principal competitor for tool joint sales. All of these companies, a French manufacturer, two small Japanese manufacturers and several other small foreign manufacturers compete with the Company for foreign sales. In general, price competition is more acute abroad than in the United States and Canada.

Competition has greatly intensified with the decrease in drilling activity in the last 15 years, and the Company believes that its share of the drilling bit market declined during that period. However, the Company considers that it is a major factor in the drilling bit and tool joint industry.

Employees

The Company employs approximately 4,200 persons worldwide, of whom approximately 2,700 are represented by labor unions. Approximately 97% of the domestic union workers are represented by the United Steelworkers of America. All domestic labor contracts expire in September 1974. The Company considers its employee relations to be good.

PROPERTY

The Houston plant is located on approximately 84 acres owned by the Company. The buildings housing the manufacturing operations cover approximately 1,105,000 square feet; a two-story brick research laboratory, comprising 73,000 square feet and a 245,000 square foot, four-story office building, containing the main offices of the Company, are also located at the Houston plant.

The Company owns its offices in Wichita Falls, Texas, Oklahoma City, Oklahoma and Shreveport, Louisiana. An additional eight offices are leased, as are the 68 rock bit stocking points located throughout the United States. Most of such leases are short-term and are renewed as they expire.

The Company's Argentine subsidiary, Hughes Tool Company S.A.C.I.F.I., owns its principal manufacturing facility, comprising approximately 93,000 square feet, at Escobar, Argentina, and leases a small plant at Comodoro Rivadavia. Hughes Tool Co. de Mexico, S. A. de C. V. also owns its manufacturing facility. Hughes Tool Company Limited leases its Belfast plant and the land on which it is situated from the Ministry of Commerce for Northern Ireland. The plant was built by the Ministry to the Company's specifications, and contains 117,000 square feet located on 9.2 acres. Annual rental payments under the Belfast leases, which expire in 1976, are approximately $28,000. The Company does not anticipate any difficulty in renewing the Belfast leases on substantially similar terms.

The Company believes that its properties are in good condition and are adequately maintained and insured.

U. S. FEDERAL ECONOMIC CONTROLS

The Company's pricing policies will be subject to regulation by the Price Commission under the Economic Stabilization Act of 1970 and regulations adopted thereunder. Generally, such regulations provide that base prices charged by a new company for products or services not theretofore offered by it may be determined by reference to average prices being charged by others for comparable products. The Company has obtained a ruling that it may establish for its products base prices which are equal to the prices charged by the Oil Tool Division of Summa Corporation for the same products immediately prior to the acquisition of such Division by the Company, except in certain minor instances. Under the regulations, such prices may not be increased unless justified by cost increases and not otherwise prohibited by profit margin limitations. The Company does not believe that Federal price controls are currently having an adverse effect on the business of the Oil Tool Division, but cannot predict the future impact of such controls.

MANAGEMENT

Directors and Officers

The directors and officers of the Company are as follows:

Name and Address	Principal Office Held or Other Occupation	Term Expires	Age
Raymond Middleton Holliday* 450 Westminster Houston, Texas 77024	Chairman of the Board and Chief Executive Officer	1975	58
James Richard Lesch* 12210 Broken Bough Houston, Texas 77024	President and Chief Operating Officer and Director	1975	51
Calvin Jefferson Collier, Jr.* 8119 DeLeon Drive Houston, Texas 77017	Vice President, Secretary and Treasurer and Director	1973	49
Francis Trotter Alexander 7528 Del Monte Houston, Texas 77042	Vice President, Administrative Services and Director	1973	58
Earl Matthew Connor 11934 Broken Bough Houston, Texas 77024	Vice President, International Sales and Director	1974	59
William Arthur Kistler, Jr. 9911 Cedarhurst Houston, Texas 77035	Vice President, Manufacturing and Director	1974	46
Park Leslie Myers 11609 Monica Lane Houston, Texas 77024	Vice President, U.S. and Canadian Sales and Director	1974	56
Leon Berthal Stinson 238 Tamerlaine Houston, Texas 77024	Vice President, Engineering and Research and Director	1975	62
Ned Barclay Ball 200 East 66th Street New York, N.Y. 10021	Director (President, Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York)	1975	64
Maynard Ellsworth Montrose P. O. Box 1342 Rancho Santa Fe California 92067	Director (Retired Chief Executive Officer of the Oil Tool Division)	1973	69

Name	Principal Office Held or Other Occupation	Term Expires	Age
Clinton Frank Morse 3840 Del Monte Houston, Texas 77019	Director (Partner, Andrews, Kurth, Campbell & Jones, Houston, Texas)	1973	52
Carl Benjamin Sherman* 10223 Piermann Houston, Texas 77035	Director (President, Houston Lighting and Power Company, Houston, Texas)	1974	56
John Edwin Whitmore* 13514 Kingsride Houston, Texas 77024	Director (Senior Chairman of the Board, Texas Commerce Bancshares, Inc., Houston, Texas)	1974	64
David Henry Garner, Jr. 8315 Dillon Houston, Texas 77017	Controller and Assistant Treasurer		54
Calvin Dorrel Sholtess 77 Bull Run River Plantation Conroe, Texas 77301	Vice President, Industrial Product Sales		46
Ralph Upton 10611 Chevy Chase Houston, Texas 77042	Assistant Secretary and Assistant Treasurer		48

* Member of the Executive Committee

The Bylaws of the Company divide the Board of Directors, in respect of term of office, into three classes each consisting as near as possible of one-third of the members of the whole Board. The members of each class will serve for three years following their election, with one class being elected each year. The terms of office of the initial directors are indicated above under the column "Term Expires".

All of the officers of the Company held corresponding positions with the Oil Tool Division of Summa Corporation for more than the past four years and all have been employed by Summa Corporation for more than the last 15 years. For information concerning services to be performed by certain directors and officers of the Company on behalf of Summa Corporation, see "Transfer of Assets."

Remuneration

The following table sets forth the aggregate direct remuneration paid by the predecessor of the Company to, and the estimated annual retirement income to be received by, each director and each of the three highest paid officers of the Company whose aggregate direct remuneration exceeded $30,000 in 1971.

Name of Individual or Group	Capacities in which remuneration was received	Aggregate direct remuneration		Estimated annual benefits upon retirement(2)	
		Salary(1)	Bonus	Consulting Agreements(3)	Retirement Plan(3)
R. M. Holliday	Executive Vice President	$119,167	$ 84,938	$ 40,000	$ 44,457
J. R. Lesch	Senior Vice President and General Manager	81,875	96,262	27,500	36,161
C. J. Collier, Jr.	Vice President, Secretary and Treasurer	59,167	20,385	20,000	28,467
P. L. Myers	Vice President — U. S. and Canadian Sales	43,000	18,120	14,333	20,345
E. M. Connor	Vice President — International Sales	40,000	16,988	13,333	16,530

Name of Individual or Group	Capacities in which remuneration was received	Aggregate direct remuneration		Estimated annual benefits upon retirement(2)	
		Salary(1)	Bonus	Consulting Agreements(3)	Retirement Plan(3)
L. B. Stinson	Vice President — Engineering and Research	$ 36,000	$ 14,722	$ 12,000	$ 13,694
W. A. Kistler, Jr.	Vice President — Manufacturing	33,000	20,385	11,000	20,112
F. T. Alexander	Vice President — Administrative Services	25,000	13,590	8,333	11,816
All directors and officers as a group (12 persons)		534,833	311,210	179,833	251,957

(1) All of the persons named above received salary increases of 5.5% effective January 1, 1972. The salaries paid such persons by the Company upon the transfer of the Oil Tool Division assets will correspond to the salaries shown above as increased on January 1, 1972.

(2) Funding of the benefits under the consulting agreements and contributions under the Retirement Plan are actuarially determined.

(3) For the purposes of the estimates, it is assumed that all such persons would continue to receive their 1971 salaries until retirement age, since retirement benefits are based on salary levels.

The Company will assume the obligations of Summa Corporation under certain consulting agreements between such corporation and Messrs. Holliday, Lesch, Collier, Kistler, Stinson, Myers, Connor, Alexander and Sholtess, and certain other present or former officers or employees of the Oil Tool Division of Summa Corporation or one of its subsidiaries. The agreements provide, among other things, for annual retirement benefits equal to one-third of such persons' base salaries. See note 5 to the combined financial statements. Mr. Montrose, a director, is currently receiving annual retirement benefits of approximately $25,000 under such an agreement. In addition, the Company will enter into employment contracts with each of the officers shown in the table above at current salary levels for a term of five years or until retirement, whichever period is shorter.

The Company also intends to continue the policy of Summa Corporation of paying Christmas bonuses of one-half month's salary to salaried employees of the Company, other than its officers and certain key employees, and one week's base pay to hourly-paid employees. Officers and certain key employees will be eligible to receive yearly bonuses under an Executive Bonus Plan according to a formula based on the earnings of the Company. The aggregate amount of bonuses awarded with respect to any year may not exceed 5% of the Company's income before provision for federal income taxes and extraordinary items, and before deduction of bonuses to be paid with respect to such year. The Executive Bonus Plan is administered by a committee of directors, the majority of which is not eligible to receive awards under the Plan. Under a previous informal plan, officers and key employees received bonuses in the aggregate amount of $453,000 in 1971 (see Note D to statement of combined income).

The Company has two retirement plans, one for salaried and one for hourly employees. Under each plan, the Company will deposit an actuarially determined amount with an insurance company to provide an annuity to eligible employees equal to 2% of such employee's base earnings for each year of service except for his first year, payable to him upon retirement. The Company also maintains hospitalization and medical insurance plans for its employees.

Stock Option Plan

Pursuant to the Company's Stock Option Plan, 250,000 shares of Common Stock are reserved for issuance to key employees of the Company and its subsidiaries upon the exercise of either options designed to qualify as "qualified stock options" under Section 422 of the Internal Revenue Code or non-qualified stock options. The Stock Option Plan is administered by a committee composed of three members of the Board of Directors (none of whom is eligible to participate in the Plan). The exercise price of each qualified and non-qualified option must be not less than 100% of the fair market value of the shares purchasable thereunder at the time the option is granted. Options are exercisable at a rate to be fixed by the committee, but no option may be exercised more than 10 years (five years in the case of qualified options) after the date of grant. If both qualified and non-qualified options are granted to an employee, the exercise of all or any part of either option may result in a corresponding reduction of the other option if so required under the terms of such options.

Options to purchase an aggregate of 62,500 shares were granted on the date of this Prospectus to 11 officers, 8 of whom are also directors, and to 18 key employees of the Company. Such options, including those to be granted to the persons named below, will be exercisable at the U. S. Price to Public.

The following table sets out certain information with regard to such grants to (i) each director, and each of the three highest paid officers of the Company whose direct remuneration exceeded $30,000 in 1971, (ii) all directors and officers as a group and (iii) employees other than officers and directors.

Name of individual or identity of group	Type of Option*	Number of Shares
R. M. Holliday	Qualified	7,500
	Non-Qualified	7,500
J. R. Lesch	Qualified	7,500
	Non-Qualified	7,500
C. J. Collier, Jr.	Qualified	4,000
	Non-qualified	4,000
P. L. Myers	Qualified	3,500
	Non-qualified	3,500
E. M. Connor	Qualified	3,500
	Non-qualified	3,500
L. B. Stinson	Qualified	3,500
	Non-qualified	3,500
W. A. Kistler, Jr.	Qualified	3,000
	Non-qualified	3,000
F. T. Alexander	Qualified	3,000
	Non-qualified	3,000
Officers and directors as a group (11 persons including those above)	Qualified	40,000
	Non-qualified	40,000
Employees other than officers and directors (18 persons)	Qualified	22,500

* The qualified and non-qualified options granted to officers and directors of the Company are options which provide that to the extent one is exercised the other may not be exercised. All of the qualified options will expire on December 6, 1977, and all the non-qualified options will expire on December 6, 1982.

LITIGATION

Not To Be Expressly Assumed by the Company

Summa Corporation ("Summa") is a party to numerous lawsuits, the most significant of which are described below. The Company, as transferee of the Oil Tool Division assets, may have liability for the payment of the judgment described below under "TWA Litigation," pursuant to the terms of the appeal bond filed by Summa to stay execution of such judgment. In view of the uncertain state of the authorities, Messrs. Andrews, Kurth, Campbell & Jones, counsel for the Company, believe that the Company may also be subject to liability for judgments, if any, rendered in other cases pending against Summa, including those described below. Summa will indemnify the Company against liabilities incurred as a result of any litigation arising out of acts or ommissions occuring prior or incident to the transfer described under "Transfer of Assets," including the TWA judgment, none of which has been expressly assumed by the Company. Howard R. Hughes in his individual capacity will guarantee Summa's obligation to indemnify the Company against any such liability.

Patent Litigation. Smith Tool Company filed suit against Summa in the United States District Court for the Central District of California in June 1972, seeking a declaratory judgment that the Company's so-called O-Ring journal bearing seal patent is invalid on the ground that it lacked novelty and was obvious. Special patent counsel, Messrs. Haight, Hofeldt, Davis & Jambor, are of the opinion that the patent is valid and that Summa has meritorious defenses to the action. Recently Summa's motion to dismiss the action for lack of a justiciable controversy was denied by the District Court, but Summa's application to appeal therefrom has been granted by the United States Court of Appeals for the Ninth Circuit.

Since a workable journal bearing can be, and is being manufactured by one of the Company's competitors without using the O-Ring device, and since the Company's journal bearing bits do not owe all of their performance characteristics to the O-Ring seal, management for the Company does not believe a declaration that the patent is invalid would necessarily permit the production of an equivalent bit by the Company's competitors. The Company does believe, however, that the general availability of the patented device would increase competition for sales of journal bearing bits.

Summa is a defendant in a suit which has been pending since 1953 in the United States District Court for the Southern District of Texas, styled *Kinnear-Weed Corporation* v. *Hughes Tool Company,* in which the plaintiff claims that Summa has infringed plaintiff's patent relating to certain jet-type rotary drill bits. Similar suits have been pending for many years against five other manufacturers and approximately 20 major oil companies. All of these suits were stayed for many years pending final outcome of a companion suit which ultimately found that the Hughes bits did not infringe the Kinnear-Weed patent. While the damages claimed by plaintiff against Summa are substantial and Summa has agreed to indemnify certain of the oil company defendants against any judgments resulting from the plaintiff's claim that such oil companies' use of rock bits manufactured by the Company infringe the plaintiff's patent, counsel for Summa, Messrs. Andrews, Kurth, Campbell & Jones, are of the opinion that the plaintiff's claim is without merit.

Civil Rights Act Litigation. Summa is a defendant, along with four labor unions representing certain employees of the Oil Tool Division, in two suits pending in the United States District Court for the Southern District of Texas. The plaintiffs in said suits allege that the Oil Tool Division is and has engaged in unlawful race, sex and national origin discrimination in certain of its employment practices. Henry Godbolt, Jr., a former employee, is the plaintiff in one suit, styled *Henry Godbolt, Jr., et al.* v.

Hughes Tool Company, et al., in which four present employees of the Oil Tool Division have intervened as plaintiffs. These plaintiffs represent certain minority employees and former and prospective employees of the Oil Tool Division as a class or classes, and seek to establish that the Oil Tool Division has engaged and is engaging in unlawful discrimination on the basis of race and sex in certain of its employment practices. In a second suit, styled *Equal Employment Opportunity Commission* v. *Hughes Tool Company, et al.,* the plaintiff, the Equal Employment Opportunity Commission ("EEOC"), claims alleged unlawful discriminatory employment practices by the Oil Tool Division on the basis of race, sex and national origin. In both suits the plaintiffs have requested injunctive relief and back pay, measured by the difference between what the members of the affected class or classes have actually earned or amounts earnable with reasonable diligence, and what they would have earned but for the alleged discrimination practiced against them. Messrs. Andrews, Kurth, Campbell & Jones have advised that they cannot predict the Courts' final decisions as to the exact class issues or the identity or number of persons who would be included in any such class or classes, or whether any relief granted to such class or classes would be injunctive only or would include awards of back pay to any such class or classes. Such counsel have advised, however, that even if the Company were adjudged to be liable for back pay to the employee plaintiffs, there will be legal and practical limitations on the scope of any such class action judgments and that consequently the aggregate amount of damages awarded, if any, is not expected to be substantial in relation to the assets or operations of either Summa or the Company. In addition, 21 other persons who are present employees of the Company, former employees or job applicants who were not hired, have filed complaints against the Company with the EEOC, which are in various stages of administrative procedures. In the majority of those cases in which the EEOC has advised of its administrative decisions, the EEOC has stated that the Company has engaged in unlawfully discriminatory practices. None of such cases has been tried before a court, and the Company intends to defend its employment practices vigorously.

TWA Litigation. On June 30, 1961, Trans World Airlines, Inc. ("TWA") filed an action in the United States District Court for the Southern District of New York against Summa, Raymond M. Holliday and Howard R. Hughes, alleging violations of the antitrust laws in connection with the procurement of aircraft and financing by TWA while under Summa control. Following an election by Summa not to proceed further with pretrial or trial proceedings (including the then scheduled deposition of Mr. Hughes), in order to obtain appellate review of decisions of the District Court that Summa believed erroneous, the District Court, on May 3, 1963, ordered that a default judgment be entered, subject to a determination of damages at a hearing before a Special Master.

In opinions rendered on December 23, 1969 and April 13, 1970, the District Court (1) confirmed the report of the Special Master awarding TWA $137,611,435.95 in treble damages, and (2) awarded TWA costs, including attorneys' fees, of $7,836,705.12. On April 14, 1970 the District Court entered a judgment against Summa in the total amount of $145,448,141.07, together with interest at the rate of 6% from the date of judgment.

On September 1, 1971, the United States Court of Appeals for the Second Circuit entered an opinion and order affirming the judgment of the District Court and modifying the rate of interest to 7½%.

On December 23, 1971, Summa filed a petition for a writ of certiorari to review the judgment of the Court of Appeals for the Second Circuit. TWA filed a conditional cross-petition. TWA's cross-petition sought review, in the event the Supreme Court should grant Summa's petition, of questions

relating to the date from which interest should run, the recovery of costs of payments for the services of its experts at the damage hearing and the amount that should have been deducted as "the cost of capital" in computing damages. On February 22, 1972, the Supreme Court granted both the petition and the cross-petition. They were argued before the Court on October 10, 1972 and decision was reserved.

On November 6, 1971, the Supreme Court of the United States stayed, pending its further order, the mandate of the Court of Appeals. The effect of this order is to continue in force a stay of execution of the judgment of the District Court on the terms provided in an order of June 16, 1970. The District Court's order stayed execution pending appeal, provided, among other things, that Summa file with the District Court an appeal bond, binding itself, its successors and assigns, secured in an amount not less than $75,000,000 and maintain a net worth (stockholder's equity) of at least $335,000,000. Pursuant to said order, Summa filed an appeal bond with the Court secured by a five-year letter of credit for $75,000,000 in favor of TWA obtained from Bank of America National Trust and Savings Association. As collateral for the letter of credit, Summa has assigned securities with a cost and market value of $35,000,000 to the bank. Summa has also established an anticipatory type credit with the bank to secure payments up to $50,000,000 which may be made pursuant to the terms of the letter of credit. To establish the anticipatory type credit, Summa created a lien in favor of the bank on substantially all of its real property in the State of California.

Although, in the opinion of counsel for Summa, Messrs. Davis & Cox, there is a substantial likelihood that the Supreme Court will reverse the judgment of the Court of Appeals in its entirety and that even if the Supreme Court does not reverse the judgment on one or more of the grounds urged by Summa that TWA will not prevail as to the matters raised by its cross-petition, no prediction can be made as to what action the Supreme Court will take. In the event TWA were to prevail on all matters raised by its cross-petition, then the amount of the judgment would be increased by a maximum of approximately $60,000,000.

In April 1962, TWA also brought an action for $35,000,000 in damages against Summa in the Chancery Court of the State of Delaware, making many of the same factual allegations as in the suit in the United States District Court. Proceedings in this action have been suspended indefinitely. In the opinion of counsel for Summa, Messrs. Davis & Cox, the TWA Delaware action will be barred by reason of TWA's decision to proceed to judgment in its antitrust action.

Maheu Litigation. On December 5, 1970 Robert A. Maheu ("Maheu") instituted an action in the District Court of the State of Nevada against Chester C. Davis, Frank W. Gay and Calvin J. Collier, Jr. (who are and were at the time General Counsel; Senior Vice President and Director; and Vice President, Treasurer and Director of Summa, respectively) seeking to enjoin the defendants from interfering with Maheu's possession and control of certain properties, including substantially all of Summa's hotel, casino and other properties in Nevada. On December 7, 1970 Summa instituted a separate action in the same Court against Maheu, Jack H. Hooper and Elgin Enterprises, Inc., seeking preliminary and permanent injunctive relief restraining defendants from interfering with the exercise of control by Summa over its property in Nevada. After evidentiary hearings upon cross-motions by Maheu and Summa for preliminary injunctive relief, on December 24, 1970 the Court entered orders denying Maheu's motion and granting to Summa a preliminary injunction. On November 16, 1972, the Nevada Supreme Court held void, because impermissibly vague, a portion of the preliminary injunction that ordered Maheu to return documents to Summa but otherwise affirmed the aforesaid orders of the District Court.

On December 31, 1970 Maheu filed counterclaims in the aforesaid action by Summa, seeking $25,000,000 compensatory damages and $25,000,000 punitive damages against Summa and Mr. Hughes (who was added as a named party). The claim appears to assert the breach of an alleged lifetime employment contract and a possible theory of intentional interferences with contract relations. Thereafter, on January 11, 1971, Maheu amended the complaint in his action against Davis, Gay and Collier to include claims that those defendants wrongfully induced, caused and participated in the allegedly actionable conduct alleged in the aforesaid counterclaim against Summa and Mr. Hughes, and seeking similar amounts of damages. Inasmuch as the apparent claims of Maheu against Davis, Gay and Collier relate, if anything, to conduct by those individuals in their representative capacities in behalf of Summa or affiliates as duly authorized officers, directors or agents, and not otherwise, any liability therefor may be cause for indemnification by Summa pursuant to its By-laws and under applicable law. In the opinion of counsel for Summa, Messrs. Davis & Cox (of which the said Chester C. Davis is a partner), all of the aforesaid claims by Maheu are without merit and the defendants and counter-defendants thereto, including Summa, have meritorious defenses thereto.

On February 10, 1972, Maheu instituted an action in the United States District Court for the Central District of California against Summa, Carl Byoir & Associates, Inc. and Richard Hannah. Maheu seeks compensatory damages of $6,500,000 and exemplary damages of $11,000,000 by reason of the publication of allegedly defamatory statements about Maheu in a telephonic news conference on January 7, 1972, between seven newsmen and Mr. Hughes. Summa has served an answer which, while admitting responsibility for publication of the statements, denies liability and asserts that the alleged defamatory statements which are the subject of Maheu's complaint are true. Summa also asserted a counterclaim seeking an accounting by Maheu. Defendants Byoir and Hannah, in addition to denying liability, have asserted a cross-claim against Summa to the effect that they acted as agents for Summa and are entitled to indemnification for their conduct. Maheu has filed a motion for leave to serve an amended complaint that contains additional allegations, including allegations of a conspiracy to which Gay and Davis, among others, are alleged to have been parties, but basically presents the same legal and factual issues as the present complaint. Counsel for Summa, Messrs. Davis & Cox (of which the said Chester C. Davis is a partner), are of the opinion, based on a continuing investigation, that Maheu's action is without merit, that Summa has meritorious defenses thereto, and that it is entitled to an accounting by Maheu. Moreover, Summa is protected by insurance against loss on account of the claims asserted against it, at least insofar as compensatory damages are sought.

Other Litigation. On September 19, 1969, Lewis Kerner instituted an action in the Superior Court of the State of California against Summa, doing business as Frontier Hotel, for breach of an alleged contract whereby Kerner was to produce the "My Fair Lady" show at the Frontier. The complaint seeks damages in the amount of $1,040,000. In the opinion of counsel for Summa, Messrs. Davis & Cox, based upon pretrial proceedings and the facts presently known to counsel, the action is without merit and Summa has meritorious defenses thereto.

On October 2, 1970, an action was commenced by Los Angeles Airways, Inc. ("LAA") in the United States District Court for the Central District of California against Summa, Mr. Hughes and Hughes Air Corp. LAA seeks $16,617,000 in compensatory damages for alleged breach of contract or for alleged false representations and $33,233,000 in punitive damages, claiming it was injured when Summa failed to purchase its assets and business. On December 17, 1970, an answer was filed on behalf of Summa denying liability and asserting affirmative defenses. On August 8, 1972, the Court

entered an order dismissing the complaint for lack of federal jurisdiction, but with leave to LAA to serve an amended complaint which might cure the deficiency. Thereafter LAA served an amended complaint which omitted reference to Hughes Air Corp. but which is otherwise substantially identical to the original complaint. On November 1, 1972, the Court entered an order granting the motion of Summa to dismiss the action because Hughes Air Corp. was an indispensable party. LAA has filed a notice of appeal from this order. In addition, an action has been instituted in the California Superior Court against Summa, Hughes Air Corp. and Mr. Hughes containing allegations similar to those made in the action filed in the United States District Court and seeking damages of $16,617,000 for alleged breach of contract. During May 1972 LAA also filed separate actions in the said United States District Court and in the California Superior Court against Chester C. Davis, Summa's General Counsel, claiming damages as a result of alleged inducement of breach of the alleged contract which is the subject of the aforesaid action against Summa. Inasmuch as the said actions are not believed to involve any conduct other than that of a duly authorized agent of and attorney for Summa, it is possible that Summa may be responsible under its By-laws or under applicable law for indemnification with respect to any liability. Based upon their continuing investigation, counsel for Summa, Messrs. Davis & Cox (of which the said Chester C. Davis is a partner), are of the opinion that the said actions by LAA are without merit and the respective defendants have meritorious defenses thereto.

Summa is informed that on October 6, 1970, LAA filed a petition under Chapter XI of the Bankruptcy Act in the United States District Court for the Central District of California. Proceedings are presently pending in regard to said petition.

On November 5, 1970, Tad Travers ("Travers") filed an action in the Superior Court of the State of California against Summa, Hughes Air Corp. and others. Travers is the holder of $175,000 principal amount of 6¾% subordinated debentures issued by Pacific Airlines, Inc., of which $4,821,000 in principal amount were outstanding at the time the action was instituted. These debentures were an obligation of Air West, Inc. that were assumed by Hughes Air Corp. Among other relief, plaintiff appears to seek a declaratory judgment that the defendants, including Summa, were obligated to repay the debentures presently rather than at their maturity in 1982. On December 22, 1971, the Court declared and determined "for the purpose of further proceedings in this action and to narrow the issues therein," that none of the defendants has a duty to redeem immediately the debentures. Nevertheless, an amended complaint, filed following a determination that the case should not continue as a class action, continues to ask for a determination that the debentures are immediately redeemable. Particularly in view of the prior contrary ruling on this point, counsel for Summa, Messrs. Davis & Cox, are of the opinion that the action against Summa is without merit.

On March 25, 1971, Robert Buckley instituted an action in the Superior Court of the State of California against Summa and Mr. Hughes seeking $1,800,000 as damages for breach of an alleged 20-year employment contract. Summa has filed an answer denying liability and setting up a number of affirmative defenses. Based upon a continuing investigation and the conduct of pretrial discovery from plaintiff to date, counsel for Summa, Messrs. Davis & Cox, are of the opinion that the action is without merit and that Summa has meritorious defenses thereto.

On February 1, 1972, Herman M. and Barbara J. Greenspun instituted an action against Summa, Valley Bank of Nevada and other unnamed defendants in the District Court of the State of Nevada, claiming damages (alleged to total $142,000,000) based upon an alleged slander of title arising out of Summa's recordation of a deed of trust made by the plaintiffs and given as security for a debt

to Summa. The complaint also seeks to enjoin foreclosure proceedings with respect to the deed of trust and other security, and the Court has entered such an injuction pending a trial of the matter. Motions have been filed by Summa seeking, among other relief, summary judgment in its favor, and those motions are presently pending before the Court. In the opinion of counsel, Messrs. Davis & Cox, based on pretrial proceedings and the facts presently known to counsel, the action is without merit and Summa has meritorious defenses thereto. Moreover, Summa is protected by insurance against loss on account of the claims asserted against it, at least insofar as compensatory damages are sought.

On March 18, 1972, United States Trust Company of New York and M. W. Odom instituted an action against Summa, Hughes Air Corp., Mr. Hughes, and other unnamed defendants in the Superior Court of the State of California. The plaintiffs, as Trustees under a Declaration of Trust and Trust Agreement pursuant to which A W Liquidating Company, formerly Air West, Inc., transferred all of the property and assets of A W Liquidating Company to the Trustees, seek damages of $48,000,000 as well as other damages in an unspecified amount and declaratory relief against the defendants in connection with the purchase by Hughes Air Corp. of assets of Air West, Inc. The complaint alleges breaches of obligations under a contract dated as of November 18, 1968, between Summa and Air West, Inc. for the purchase of assets of Air West, Inc., and unjust enrichment. On June 30, 1972 Summa and Hughes Air Corp. filed their answer in this action, denying any liability and setting forth certain affirmative defenses. In the opinion of counsel for Summa, Messrs. Davis & Cox, the complaint lacks merit and the named defendants have meritorious defenses thereto. Summa and Hughes Air Corp. have also asserted counterclaims, and filed cross-claims against A W Liquidating Company and Bank of America National Trust and Savings Association, seeking the payment to Hughes Air Corp. of $2,250,000 now on deposit with Bank of America National Trust and Savings Association, a determination that neither Hughes Air Corp. nor Summa has any obligation with respect to liabilities of Air West, Inc. that were not specifically assumed at the closing, and damages in the amount of at least $5,139,000.

Summa is informed that the Securities and Exchange Commission is conducting a private investigation into certain matters relating to the acquisition by Hughes Air Corp. of substantially all the assets of Air West, Inc. Summa is not in a position to predict what will be the results of this investigation or what proceedings or litigation, if any, may be instituted by reason thereof.

On July 6, 1972, Noah Dietrich instituted an action in the Superior Court of the State of California against Summa, Mr. Hughes, Carl Byoir & Associates, Inc. and Richard Hannah. Dietrich seeks compensatory damages of $1,000,000 against the defendants, punitive damages of at least $50,000,000 against Mr. Hughes, and punitive damages against each of the other named defendants according to proof of wealth, by reason of the publication of allegedly defamatory statements about Dietrich in the aforesaid telephonic news conference of January 7, 1972 between Mr. Hughes and certain newsmen. Dietrich alleges that Summa is the alter ego of Mr. Hughes and should be personally liable for the alleged defamation. Summa has filed motions challenging the complaint on several grounds, and those motions are presently pending. Defendants Byoir and Hannah have denied liability and, in addition, have filed a cross-claim against Summa to the effect that they acted as agents for Summa and are entitled to indemnification for their conduct. Based on a continuing investigation, counsel for Summa, Messrs. Davis & Cox, are of the opinion that the action lacks merit and that Summa has meritorious defenses thereto. Moreover, Summa is protected by insurance against loss on account of the claims asserted against it, at least insofar as compensatory damages are sought.

In September 1972, Henry Eddy and Robert L. Eddy asserted, as a counterclaim in a pending action by Summa against them and other defendants in the District Court of the State of Nevada, the claim that Summa caused to be printed certain newspaper articles in the Wall Street Journal and elsewhere which were defamatory toward them. The counterclaimants appear to be seeking against Summa general compensatory damages of $1,000,000 each as well as $2,000,000 punitive damages. Counsel for Summa, Messrs. Davis & Cox, are of the opinion that the said claim is without merit and that Summa has meritorious defenses thereto. Moreover, Summa is protected by insurance against loss on account of the claims asserted against it, at least insofar as compensatory damages are concerned.

Several purported class actions have been instituted in various United States District Courts against the major hotel chains and many of the other major hotel operators in the United States. Among those named as defendants in certain of the actions are Summa and certain individual hotels owned or operated by Summa. The pertinent pleadings appear to charge the defendants with conspiracy and other violations of the federal antitrust laws and applicable state law in connection with the alleged overcharging of hotel guests for the purpose of covering costs associated with telephone facilities and the alleged concealment of the existence or nature of said charges. The complaints allege damages in excess of $50,000,000, and demand treble damages, punitive damages, interest and attorneys' fees. All of the subject actions have been assigned to the Central District of California for purposes of coordinated or consolidated pretrial proceedings. On September 27, 1971, an order was entered by the United States District Court for the Eastern District of Louisiana dismissing with prejudice as to Summa one of the purported class actions. Summa has filed answers denying liability and asserting a number of affirmative defenses in connection with the other actions pending against it. Based upon a continuing investigation, counsel for Summa, Messrs. Davis & Cox, are of the opinion that the actions are without merit as to Summa and that Summa has meritorious defenses thereto.

The Internal Revenue Service is currently conducting a comprehensive audit of the 1967-1970 federal income tax returns of Summa, its stockholder and certain of its officers and directors. In addition, the 1962-1966 returns of Summa are still open, although tentative agreement for settlement of those years has been reached with the Service. Management of the Company is of the opinion that Summa's liability, if any, for a deficiency in federal income tax for said years is not such as would materially affect its financial position.

Summa is also a defendant in other actions involving normal and usual claims arising in the ordinary course of its business as to which it believes it has adequate insurance coverage.

DESCRIPTION OF CAPITAL STOCK

Common Stock

The Company is authorized to issue 20,000,000 shares of Common Stock, par value $1.00 per share. Subject to the rights of the holders of any outstanding shares of Preferred Stock, holders of Common Stock are entitled to cast one vote for each share held of record on all matters (but they may not cumulate their votes in the election of directors), to receive such dividends as may be declared by the Board of Directors out of legally available funds and to share pro rata in any distribution of the Company's assets. Holders of Common Stock do not have preemptive rights or other rights to subscribe for additional shares. The shares of Common Stock being offered hereby will be, when issued, fully paid and nonassessable.

Preferred Stock

The Company is authorized to issue a class of Preferred Stock consisting of 1,000,000 shares, par value $10.00 per share. The Board of Directors has authority, without any further action by the holders of the Common Stock, to issue any series of Preferred Stock, to fix the number of shares constituting any series and to fix the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices and the liquidation preferences of the Preferred Stock or any wholly unissued series thereof. No shares of Preferred Stock have been issued.

Reports

The Company will distribute annual reports containing certified financial statements to its stockholders and will furnish quarterly reports of operating results and such other reports as management deems necessary or advisable to keep its stockholders informed of its operations.

Transfer Agents and Registrars

Texas Commerce Bank National Association, Houston, Texas and Morgan Guaranty Trust Company of New York are the transfer agents and registrars for the Common Stock in the United States. The Royal Trust Company is the transfer agent and Crown Trust Company is the registrar for the Common Stock in Canada at their principal offices in the cities of Montreal, Toronto, Winnipeg, Regina and Calgary. Canada Permanent Trust Company is the agent of Crown Trust Company as registrar in Regina.

UNDERWRITING

The Underwriters named below, acting through their Representative, Merrill Lynch, Pierce, Fenner & Smith Incorporated, have severally agreed to purchase from Summa Corporation on December 14, 1972, but not later than December 31, 1972 the number of shares of Common Stock set forth below opposite their respective names. The Underwriters are committed to purchase all of such shares if any are purchased. Under certain circumstances the commitments of non-defaulting Underwriters may be increased.

Name of Underwriter	Address of Underwriter	Number of Shares
	United States Underwriters	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	One Liberty Plaza, 165 Broadway New York, N. Y. 10006	1,129,500
Blyth Eastman Dillon & Co. Incorporated	One Chase Manhattan Plaza New York, N. Y. 10005	60,000
The First Boston Corporation	20 Exchange Place New York, N. Y. 10005	60,000
Dillon, Read & Co. Inc.	46 William Street New York, N. Y. 10005	60,000
Drexel Firestone, Incorporated	60 Broad Street New York, N. Y. 10004	60,000
duPont Glore Forgan Incorporated	One Wall Street New York, N. Y. 10005	60,000
Goldman, Sachs & Co.	55 Broad Street New York, N. Y. 10004	60,000
Halsey, Stuart & Co. Inc.	123 South LaSalle Street Chicago, Illinois 60690	60,000
Hornblower & Weeks-Hemphill, Noyes Incorporated	110 Wall Street New York, N. Y. 10005	60,000
Kidder, Peabody & Co. Incorporated	10 Hanover Square New York, N. Y. 10005	60,000
Kuhn, Loeb & Co.	40 Wall Street New York, N. Y. 10005	60,000
Lazard Freres & Co.	One Rockefeller Plaza New, York, N. Y. 10020	60,000
Loeb, Rhoades & Co.	42 Wall Street New York, N. Y. 10005	60,000
Paine, Webber, Jackson & Curtis Incorporated	140 Broadway New York, N. Y. 10005	60,000
Salomon Brothers	One New York Plaza New York, N. Y. 10004	60,000
Smith, Barney & Co. Incorporated	1345 Avenue of the Americas New York, N. Y. 10019	60,000
Stone & Webster Securities Corporation	90 Broad Street New York, N. Y. 10004	60,000

Name of Underwriter	Address of Underwriter	Number of Shares
Wertheim & Co., Inc.	1 Chase Manhattan Plaza New York, N. Y. 10005	60,000
White, Weld & Co. Incorporated	One Liberty Plaza, 91 Liberty Street New York N. Y. 10006	60,000
Dean Witter & Co. Incorporated	14 Wall Street New York, N. Y. 10005	60,000
Bache & Co. Incorporated	100 Gold Street New York, N. Y. 10038	60,000
E. F. Hutton & Company Inc.	One Battery Park Plaza New York, N. Y. 10004	60,000
Reynolds Securities Inc.	120 Broadway New York, N. Y. 10005	60,000
Shearson, Hammill & Co. Incorporated	14 Wall Street New York, N. Y. 10005	60,000
ABD Securities Corporation	84 William Street New York, N. Y. 10038	24,000
Allen & Company Incorporated	30 Broad Street New York, N. Y. 10004	24,000
Basle Securities Corporation	120 Broadway New York, N. Y. 10005	24,000
Bateman Eichler, Hill Richards, Incorporated	460 South Spring Street Los Angeles, California 90013	24,000
Bear, Stearns & Co.	One Wall Street New York, N. Y. 10005	24,000
A. G. Becker & Co. Incorporated	60 Broad Street New York, N. Y. 10004	24,000
Alex. Brown & Sons	135 East Baltimore Street Baltimore, Maryland 21202	24,000
Burnham & Company Inc.	60 Broad Street New York, N. Y. 10004	24,000
Cazenove Incorporated	405 Montgomery Street San Francisco, California 94104	24,000
Clark, Dodge & Co. Incorporated	140 Broadway New York, N. Y. 10005	24,000
Dain, Kalman & Quail, Incorporated	100 Dain Tower Minneapolis, Minnesota 55402	24,000
The Daiwa Securities Co. America, Inc.	100 Wall Street New York, N. Y. 10005	24,000
Dominick & Dominick, Incorporated	14 Wall Street New York, N. Y. 10005	24,000
Eppler, Guerin & Turner, Inc.	3900 First National Bank Bldg. Dallas, Texas 75202	24,000
EuroPartners Securities Corporation	One World Trade Center, Suite 3411 New York, N. Y. 10048	24,000
Robert Fleming Incorporated	100 Wall Street New York, N. Y. 10005	24,000
Hallgarten & Co.	44 Wall Street New, York, N. Y. 10005	24,000
Harris, Upham & Co. Incorporated	120 Broadway New York, N. Y. 10005	24,000
Hayden Stone Inc.	767 Fifth Avenue New York, N. Y. 10022	24,000
Hill Samuel Securities Corporation	375 Park Avenue New York, N. Y. 10022	24,000
W. E. Hutton & Co.	14 Wall Street New York, N. Y. 10005	24,000
Kleinwort, Benson Incorporated	100 Wall Street New York, N. Y. 10005	24,000

Name of Underwriter	Address of Underwriter	Number of Shares
Ladenburg, Thalmann & Co. Inc.	25 Broad Street New York, N. Y. 10004	24,000
McDonald & Company	2100 Central National Bank Bldg. Cleveland, Ohio 44114	24,000
F. S. Moseley & Co.	20 Exchange Place New York, N. Y. 10005	24,000
New Court Securities Corporation	70 Pine Street New York, N. Y. 10005	24,000
The Nikko Securities Co. International, Inc.	One Chase Manhattan Plaza New York, N. Y. 10005	24,000
Nomura Securities International, Inc.	100 Wall Street New York, N. Y. 10005	24,000
John Nuveen & Co. Incorporated	61 Broadway New York, N. Y. 10006	24,000
Paribas Corporation	40 Wall Street New York, N. Y. 10005	24,000
Piper, Jaffray & Hopwood Incorporated	115 South Seventh Street Minneapolis, Minnesota 55402	24,000
R. W. Pressprich & Co. Incorporated	80 Pine Street New York, N. Y. 10005	24,000
The Robinson-Humphrey Company, Inc.	Two Peachtree Street N. W. Atlanta, Georgia 30303	24,000
L. F. Rothschild & Co.	99 William Street New York, N. Y. 10038	24,000
Shields Securities Corporation	44 Wall Street New York, N. Y. 10005	24,000
F. S. Smithers & Co., Inc.	One Battery Park Plaza New York, N. Y. 10004	24,000
Suez American Corporation	77 Water Street New York N. Y. 10005	24,000
Swiss American Corporation	100 Wall Street New York, N. Y. 10005	24,000
Thomson & McKinnon Auchincloss Inc.	2 Broadway New York, N. Y. 10004	24,000
Spencer Trask & Co. Incorporated	60 Broad Street New York, N. Y. 10004	24,000
Tucker, Anthony & R. L. Day	120 Broadway New York, N. Y. 10005	24,000
UBS-DB Corporation	40 Wall Street New York, N. Y. 10005	24,000
Ultrafin International Corporation	63 Wall Street New York, N. Y. 10005	24,000
G. H. Walker & Co. Incorporated	45 Wall Street New York, N. Y. 10005	24,000
Walston & Co., Inc.	77 Water Street New York, N. Y. 10005	24,000
Weis, Voisin & Co., Inc.	17 Battery Place North New York, N. Y. 10004	24,000
Wood, Struthers & Winthrop Inc.	20 Exchange Place New York, N. Y. 10005	24,000
Yamaichi Securities Company of New York, Inc.	111 Broadway New York, N. Y. 10006	24,000
Arnhold and S. Bleichroeder, Inc.	30 Broad Street New York, N. Y. 10004	12,000
F. Eberstadt & Co., Inc.	61 Broadway New York, N. Y. 10006	12,000
Edwards & Hanly	One Whitehall Street New, York, N. Y. 10004	12,000

Name of Underwriter	Address of Underwriter	Number of Shares
Estabrook & Co., Inc.	80 Pine Street New York, N. Y. 10005	12,000
Faulkner, Dawkins & Sullivan Securities Corp.	One New York Plaza New York, N. Y. 10004	12,000
First Southwest Company	Mercantile Bank Bldg. Dallas, Texas 75201	12,000
Halle & Stieglitz, Inc.	52 Wall Street New York, N. Y. 10005	12,000
H. Hentz & Co., Inc.	72 Wall Street New York, N. Y. 10005	12,000
New York Hanseatic Corporation	60 Broad Street New York, N. Y. 10004	12,000
Wm. E. Pollock & Co., Inc.	160 Water Street New York, N. Y. 10038	12,000
Rauscher Pierce Securities Corporation	1200 Mercantile Dallas Bldg. Dallas, Texas 75201	12,000
Riter, Pyne, Kendall & Hollister, Inc.	100 Wall Street New York, N. Y. 10005	12,000
Roosevelt & Son Incorporated	72 Wall Street New York, N. Y. 10005	12,000
Rotan Mosle Inc.	2200 Bank of the Southwest Bldg. Houston, Texas 77002	12,000
Underwood, Neuhaus & Co. Incorporated	724 Travis Street Houston, Texas 77002	12,000
C. E. Unterberg, Towbin Co.	61 Broadway New York, N. Y. 10006	12,000
Advest Co.	115 Broadway New York, N. Y. 10006	8,500
Bacon, Whipple & Co.	135 South LaSalle Street Chicago, Illinois 60603	8,500
Robert W. Baird & Co. Incorporated	731 North Water Street Milwaukee, Wisconsin 53201	8,500
Ball, Burge & Kraus	1414 Union Commerce Bldg. Cleveland, Ohio 44115	8,500
William Blair & Company	135 South LaSalle Street Chicago, Illinois 60603	8,500
Blunt Ellis & Simmons Incorporated	111 West Monroe Street Chicago, Illinois 60603	8,500
Boettcher and Company	828 Seventeenth Street Denver, Colorado 80202	8,500
Bosworth, Sullivan & Company, Inc.	660 Seventeenth Street Denver, Colorado 80202	8,500
J. C. Bradford & Co., Incorporated	J. C. Bradford Bldg. Nashville, Tennessee 37219	8,500
Bruns, Nordeman & Co.	115 Broadway New York, N. Y. 10006	8,500
Butcher & Sherrerd	1500 Walnut Street Philadelphia, Pennsylvania 19102	8,500
The Chicago Corporation	208 South LaSalle Street Chicago, Illinois 60604	8,500
Crowell, Weedon & Co.	One Wilshire Boulevard Los Angeles, California 90017	8,500
The Dominion Securities Corporation	100 Wall Street New York, N. Y. 10005	8,500
Equitable Canada Incorporated	27 William Street New York, N. Y. 10005	8,500
First California Company Incorporated	555 California Street San Francisco, California 94104	8,500
First of Michigan Corporation	Two Wall Street New York, N. Y. 10005	8,500

Name of Underwriter	Address of Underwriter	Number of Shares
First Mid America Inc.	1221 N Street Lincoln, Nebraska 68501	8,500
Fulton, Ried & Staples, Inc.	2100 East Ohio Bldg. Cleveland, Ohio 44114	8,500
J. J. B. Hilliard, W. L. Lyons, Inc.	545 South Third Street Louisville, Kentucky 40202	8,500
Johnston, Lemon & Co.	Southern Bldg. Washington, D. C. 20005	8,500
Joseph, Mellen & Miller, Inc.	1400 East Ohio Bldg. Cleveland, Ohio 44114	8,500
Kohlmeyer & Co.	147 Carondelet Street New Orleans, Louisiana 70130	8,500
Legg, Mason & Co., Inc.	22 Light Street Baltimore, Maryland 21203	8,500
Loewi & Co. Incorporated	225 East Mason Street Milwaukee, Wisconsin 53202	8,500
Midland Canadian Corporation	140 Broadway New York, N. Y. 10005	8,500
The Milwaukee Company	207 East Michigan Street Milwaukee, Wisconsin 53202	8,500
Mitchell, Hutchins Inc.	One Battery Park Plaza New York N. Y. 10004	8,500
Mitchum, Jones & Templeton Incorporated	555 South Flower Street Los Angeles, California 90071	8,500
Model, Roland & Co., Inc.	120 Broadway New York, N. Y. 10005	8,500
Moore, Leonard & Lynch, Incorporated	1146 Union Trust Bldg. Pittsburgh, Pennsylvania 15219	8,500
Newhard, Cook & Co. Incorporated	400 Olive Street St. Louis, Missouri 63102	8,500
New York Securities Co. Incorporated	One New York Plaza New York, N. Y. 10004	8,500
The Ohio Company	51 North High Street Columbus, Ohio 43215	8,500
Parker/Hunter Incorporated	250 Union Trust Bldg. Pittsburgh, Pennsylvania 15219	8,500
Pitfield, Mackay & Co., Inc.	30 Broad Street New York, N. Y. 10004	8,500
Prescott, Merrill, Turben & Co.	900 National City Bank Bldg. Cleveland, Ohio 44114	8,500
Reinholdt & Gardner	506 Olive Street, Mississippi Valley Bldg. St. Louis, Missouri 63101	8,500
Roose, Wade & Company	1310 Toledo Trust Bldg. Toledo, Ohio 43604	8,500
J. N. Russell Inc.	Investment Plaza 1801 East 9th Street Cleveland, Ohio 44114	8,500
Seidler, Arnett, Spillane & Harris Incorporated	445 South Figueroa Street Los Angeles, California 90017	8,500
Shuman, Agnew & Co., Inc.	650 California Street San Francisco, California 94108	8,500
Singer, Deane & Scribner	Union Trust Bldg. Pittsburgh, Pennsylvania 15219	8,500
Stern Brothers & Co.	9 West Tenth Street Kansas City, Missouri 64199	8,500

Name of Underwriter	Address of Underwriter	Number of Shares
Sutro & Co. Incorporated	460 Montgomery Street San Francisco, California 94104	8,500
Watling, Lerchen & Co. Incorporated	Ford Bldg. Detroit, Michigan 48226	8,500
Wheat, First Securities, Inc.	801 East Main Street Richmond, Virginia 23219	8,500
Wood Gundy Incorporated	100 Wall Street New York, N. Y. 10005	8,500
Abraham & Co.	120 Broadway New York, N. Y. 10005	7,500
Anderson & Strudwick	913 East Main Street Richmond, Virginia 23212	7,500
Colin, Hochstin Co.	120 Broadway New York N. Y. 10005	7,500
Elkins, Morris, Stroud & Co.	Stock Exchange Bldg., 17th & Sansom Streets Philadelphia, Pennsylvania 19103	5,000
Fahnestock & Co.	110 Wall Street New York, N. Y. 10005	7,500
Robert Garrett & Sons, Inc.	South & Redwood Streets Baltimore, Maryland 21203	7,500
Herzfeld & Stern	30 Broad Street New York, N. Y. 10004	7,500
Howard, Weil, Labouisse, Friedrichs Incorporated	211 Carondelet Street New Orleans, Louisiana 70130	7,500
Interstate Securities Corporation	221 South Tyron Street Charlotte, North Carolina 28202	7,500
Laird Incorporated	140 Broadway New York, N. Y. 10005	7,500
Mackall & Coe Incorporated	738 15th Street, N.W. Washington, D.C. 20005	7,500
Manley, Bennett, McDonald & Co.	1100 Buhl Bldg. Detroit, Michigan 48226	7,500
Moore & Schley, Cameron & Co.	Two Broadway New York, N. Y. 10004	7,500
Murch & Co., Inc.	330 Hanna Bldg. Cleveland, Ohio 44115	7,500
H. O. Peet & Co. Inc.	23 West 10th Street Kansas City, Missouri 64105	7,500
Stifel, Nicolaus & Company, Incorporated	314 North Broadway St. Louis, Missouri 63102	7,500
Wood, Walker & Co.	63 Wall Street New York, N. Y. 10005	7,500
Baker, Watts & Co.	Calvert & Redwood Streets Baltimore, Maryland 21203	5,000
Birr, Wilson & Co., Inc.	155 Sansome Street San Francisco, California 94104	5,000
Chaplin, McGuiness & Co. Incorporated	1800 Pittsburgh National Bldg. Pittsburgh, Pennsylvania 15222	5,000
Coggeshall & Hicks Inc.	One Liberty Street New York, N. Y. 10005	5,000
Craigie, Mason-Hagan, Inc.	The Fidelity Bldg., 9th and Main Streets Richmond, Virginia 23219	5,000
Shelby Cullom Davis & Co.	116 John Street New York, N. Y. 10038	5,000
Davis, Skaggs & Co., Inc.	160 Sansome Street San Francisco, Califorina 94104	5,000
Filor, Bullard & Smyth	26 Broadway New York, N. Y. 10004	5,000

Name of Underwriter	Address of Underwriter	Number of Shares
Janney Montgomery Scott Inc.	5 Penn Center Plaza Philadelphia, Pennsylvania 19103	5,000
Josephthal & Co.	120 Broadway New York, N. Y. 10005	5,000
Paul Kendrick & Co., Inc.	111 Sutter Street San Francisco, California 94104	5,000
Laird, Bissell & Meeds, Inc.	120 Broadway New York, N. Y. 10005	5,000
Lentz, Newton & Co.	Alamo National Bldg. San Antonio, Texas 78205	5,000
Morgan, Olmstead, Kennedy & Gardner Incorporated	606 South Olive Street Los Angeles, California 90014	5,000
Moroney, Beissner & Co., Inc.	1300 Bank of the Southwest Bldg. Houston, Texas 77002	5,000
Quinn & Co., Inc.	200 Second Street, N. W., P. O. Box 528 Albuquerque, New Mexico 87101	5,000
Robertson, Colman & Siebel	235 Montgomery Street San Francisco, California 94104	5,000
Rowles, Winston & Co., Incorporated	200 Houston Natural Gas Bldg. Houston, Texas 77002	5,000
Russ & Company, Incorporated	1600 Alamo National Bldg. San Antonio, Texas 78205	5,000
Scherck, Stein & Franc, Inc.	506 Olive Street St. Louis, Missouri 63101	5,000
Schneider, Bernet & Hickman, Inc.	First National Bank Bldg. Dallas, Texas 75202	5,000
H. B. Shaine & Co. Inc.	111 Pearl Street, N.W. Grand Rapids, Michigan 49502	5,000
Stern, Frank, Meyer & Fox, Incorporated	606 South Olive Street Los Angeles, California 90014	5,000
Stix & Co. Inc.	319 N. Fourth Street St. Louis, Missouri 63102	5,000
Trubee, Collins & Co.	One M & T Plaza Buffalo, N. Y. 14203	5,000
Wagenseller & Durst, Inc.	Crocker Citizens Plaza, 611 West 6th Street Los Angeles, California 90017	5,000
Yarnall, Biddle & Co.	1528 Walnut Street Philadelphia, Pennsylvania 19102	5,000
Daniels & Bell, Inc.	64 Wall Street New York, N. Y. 10005	3,000
First Harlem Securities Corporation	144 W. 125th Street New York, N. Y. 10027	3,000
Foster & Marshall Inc.	205 Columbia Street Seattle, Washington 98104	3,000
Newburger, Loeb & Co., Inc.	5 Hanover Square New York, N. Y. 10004	3,000
Sartorius & Co.	10 East 53rd Street New York, N. Y. 10022	3,000
Stuart Brothers	55 Broad Street New York, N. Y. 10004	3,000
Zuckerman, Smith & Co.	30 Broad Street New York, N. Y. 10004	3,000

Name of Underwriter	Address of Underwriter	Number of Shares
	Canadian Underwriter	
Merrill Lynch, Royal Securities Limited	Toronto-Dominion Center Toronto, Ontario	215,000
	European Underwriters	
Amsterdam-Rotterdam Bank N.V.	595 Herengracht — Postbus 283 Amsterdam, The Netherlands	24,000
Banca Commerciale Italiana	Piazza Della Scala 6 Milano, Italia	24,000
Banque De Neuflize, Schlumberger, Mallet	12 Place De La Bourse Paris 2E, France	24,000
Banque Populaire Suisse (Underwriters) S.A.	37 Rue Notre Dame Luxembourg	24,000
Deutsche Girozentrale-Deutsche Kommunalbank-	10 Taunuslage Frankfurt-Am-Main, Germany	24,000
Kredietbank S.A. Luxembourgeoise	Case Postale 118 Luxembourg	24,000
Lavoro Bank Finance Company N.V.	c/o Banca Nazionale Del Lavoro-Sei, Affari Finanziaria Via Vittorio Veneto, 119 Roma, Italy	24,000
N. M. Rothschild & Sons Limited	New Court, St. Swithin's Lane London EC4P 4DU, England	24,000
Vereinsbank in Hamburg	20 Alter Wall 2000 Hamburg 11, Germany	24,000
S. G. Warburg & Co. Ltd.	30 Gresham Street London EC2P 2EB, England	24,000
	Total	5,000,000

The Representative of the Underwriters has advised that sales of Common Stock to certain dealers may be made by the United States and European Underwriters at a concession of $.85 per share and that the United States and European Underwriters may allow, and such dealers may reallow, discounts not in excess of $.25 per share on sales to certain other dealers.

The Canadian Underwriter has advised that it intends to form a Banking Group consisting of certain members of The Investment Dealers' Association of Canada, to participate in its commitment through the purchase from it of shares of Common Stock.

The Company and Summa Corporation each has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and Howard R. Hughes individually has guaranteed Summa Corporation's indemnity obligation.

The obligations of all Underwriters under the Purchase Agreement are subject to the fulfillment of necessary legal requirements and may be terminated at the discretion of the Representative on the basis of its assessment of the effect on the state of the financial markets of certain events and on the occurrence of certain other stated events.

Mr. Ned B. Ball, a director of the Company, is an officer and director of Merrill Lynch, Pierce, Fenner & Smith Incorporated, the Representative of the Underwriters. Mr. Ball is also an officer and director of the Canadian Underwriter.

Prior to the offering made hereby, there has been no market for the Common Stock of the Company. The public offering price has been determined by negotiation between Summa Corporation and the Underwriters. The factors considered by the Underwriters in determining the public offering price included the history of and the prospects for the industry in which the Company competes, an assessment of the Company's management, its past and present operations, the results of an independent appraisal of the Company's non-current assets and the expected book value of the revalued assets less liabilities, its past and present earnings and the trend of such earnings, the prospects for earnings of the Company, the general condition of the securities markets at the time of the offering and the demand for similar securities of comparable companies in the market at the time of the offering.

OFFERING TO EMPLOYEES

The United States and European Underwriters have agreed to reserve up to 125,000 shares for offering to certain directors, officers and employees of the Company at a price of $28.50 per share. Such shares must be purchased by such persons prior to 12 o'clock noon on the day following the date of this Prospectus. To the extent such shares are not so purchased, they will be added to the number of shares to be sold to the public by the United States and European Underwriters.

LEGAL OPINIONS

The legality of the Common Stock will be passed upon for the Company by Messrs. Andrews, Kurth, Campbell & Jones, 25th Floor, Humble Building, Houston, Texas 77002 and for the Underwriters by Messrs. Brown, Wood, Fuller, Caldwell & Ivey, One Liberty Plaza, New York, New York 10006. Mr. Clinton F. Morse, a partner in the firm of Andrews, Kurth, Campbell & Jones, is a director of the Company. Messrs. Davies, Ward & Beck, Suite 4700, Commerce Court West, Toronto, Canada are Canadian counsel for the Canadian Underwriter. Messrs. Campbell, Godfrey & Lewtas, Toronto-Dominion Center, Toronto, Canada are Canadian counsel to the Company and Summa Corporation.

EXPERTS

The combined financial statements of Summa Corporation — Oil Tool Division and Certain Affiliates included in this Prospectus have been examined by Haskins & Sells, 1200 Travis Street, Houston, Texas, independent certified public accountants, for the periods stated in their opinion (qualified as set forth therein) appearing herein and have been so included in reliance upon such opinion (as so qualified) given upon the authority of such firm as experts in accounting and auditing.

The application of the pro forma adjustments to the combined balance sheet of Summa Corporation — Oil Tool Division and Certain Affiliates as of July 31, 1972 and the related statement of combined income for the year and seven months then ended has been reviewed by Haskins & Sells as stated in their opinion appearing herein. Said opinion sets forth the opinion that firm would have been in a position to express had the transfer of assets taken place and the indemnification referred to under "Transfer of Assets" been in effect at July 31, 1972. Said opinion is included based on the authority of such firm as experts in accounting and auditing.

The opinions of Messrs. Haight, Hofeldt, Davis & Jambor, Messrs. Andrews, Kurth, Campbell & Jones and Messrs. Davis & Cox under the caption "Litigation" have been included herein in reliance upon the authority of such firms as experts.

The independent appraisal referred to in "Transfer of Assets" and in Note A-1 to pro forma combined balance sheet relating to certain non-current assets of the Oil Tool Division was prepared by The American Appraisal Company, Inc., 525 East Michigan Street, Milwaukee, Wisconsin 53201, by report dated September 13, 1972 and has been included herein in reliance upon the authority of such company as experts.

FURTHER INFORMATION

This Prospectus omits certain of the information in the Registration Statement on file with the Securities and Exchange Commission pursuant to the Rules and Regulations of the Commission. The information so omitted may be obtained from the office of the Commission in Washington, D. C. upon payment of the fee prescribed by the Commission, or examined there without charge.

PROMOTER

Summa Corporation may be a promoter within the meaning of applicable securities legislation. Reference is made to "Transfer of Assets".

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts which are presently material and which were entered into by the Company or any of its subsidiaries within two years preceding the date hereof are as follows:

1. Instrument of Transfer and Assignment providing for the acquisition by the Company of the business and assets of the Oil Tool Division of Summa Corporation and for the indemnity of Summa Corporation against liabilities not expressly assumed by the Company, including the matters described under "Litigation", all as described under "Transfer of Assets".

2. Purchase Agreement dated December 7, 1972 among Summa Corporation, the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representative. See "Underwriting". The agreement of Howard R. Hughes, pursuant to which, among other things, his guarantee of Summa Corporation's indemnity referred to under "Transfer of Assets" was given, is attached as Schedule C to the Purchase Agreement.

Copies of the above material contracts will be available for public inspection at the executive offices of the Company in Houston and at the offices of Messrs. Campbell, Godfrey & Lewtas, Suite 3602, Toronto-Dominion Bank Tower, Toronto-Dominion Center, Toronto, Canada, during the distribution to the public of the Common Stock offered by this Prospectus and for a period of thirty days thereafter.

INDEX TO FINANCIAL STATEMENTS

These financial statements are stated in United States dollars. The offering price in Canada reflects conversion of U.S. dollars into Canadian dollars rounded to the nearest $.0125. On December 6, 1972 the mean of the bid and asked prices for the Canadian dollar, as quoted in New York City, was $1.00 = $1.0007 U.S. Application of the same conversion rate to these financial statements would not result in a significant difference.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Summa Corporation (formerly Hughes Tool Company):

We have examined the historical combined balance sheet of Summa Corporation — Oil Tool Division and Certain Affiliates (the "Oil Tool Division") as of July 31, 1972, the related statement of combined income for the five full years ended December 31, 1971 and the seven months ended July 31, 1972 and the related statement of changes in combined financial position for the three years ended December 31, 1971 and the seven months ended July 31, 1972. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described under "Litigation" in this Prospectus, Summa Corporation, of which the Oil Tool Division is a part, is a party to certain litigation with a judgment having been entered against Summa Corporation in one of the law suits. Neither the judgment nor the other litigation is to be expressly assumed by Hughes Tool Company (formerly Hughes Oil Tool, Inc.), and Summa Corporation is to indemnify Hughes Tool Company against any liabilities arising therefrom. Howard R. Hughes in his individual capacity has agreed to guarantee Summa Corporation's obligation to indemnify Hughes Tool Company against any such liabilities.

In our opinion, subject to the effect, if any, of the matter referred to in the preceding paragraph, the historical combined financial statements referred to above present fairly the financial position of the Oil Tool Division at July 31, 1972 and the results of its operations and the changes in its financial position for the stated periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis, and the pro forma adjustment appearing in the statement of combined income for the above-stated periods has been properly applied.

We have reviewed the application of the pro forma adjustments to the balance sheet of the Oil Tool Division as of July 31, 1972 and to the related statement of combined income for the year and seven months then ended set forth in the notes to the pro forma financial statements of Hughes Tool Company. Had the transfer of assets taken place and the indemnification referred to in the second paragraph hereof been in effect at July 31, 1972, we would be in a position to state that, in our opinion, such pro forma balance sheet has been compiled so as to present fairly the pro forma financial position of Hughes Tool Company at July 31, 1972 and the pro forma adjustments to the pro forma statement of combined income have been properly applied.

HASKINS & SELLS

Houston, Texas
October 13, 1972
(December 7, 1972 as to the guarantee referred to in the second paragraph hereof, and the change in name of Hughes Tool Company to Summa Corporation and of Hughes Oil Tool, Inc. to Hughes Tool Company)

SUMMA CORPORATION — OIL TOOL DIVISION AND CERTAIN AFFILIATES

COMBINED BALANCE SHEET

July 31, 1972

(In thousands)

ASSETS

CURRENT ASSETS:	
Cash	$ 1,954
Certificates of deposit	4,400
Marketable securities — at cost, which approximates market	825
Accounts and notes receivable:	
Trade (less allowance for doubtful accounts of $648)	16,876
Other	1,846
Inventories (Note 2)	48,254
Prepaid expenses	73
Total current assets	74,228
PROPERTY — At cost (Note 3)	73,838
Less accumulated depreciation	43,505
Property — net	30,333
OTHER ASSETS AND DEFERRED CHARGES:	
Prepaid retirement plan costs (Note 4)	3,346
Annuities purchased to fund consulting agreements (Note 5)	1,328
Long-term investments and receivables	525
Patents (less accumulated amortization of $300) (Note 6)	391
Other	953
Total other assets and deferred charges	6,543
TOTAL	$111,104

LIABILITIES

CURRENT LIABILITIES:	
Notes payable to banks	$ 155
Accounts payable — trade	3,812
Accrued liabilities:	
Salaries, wages, and related expenses	3,463
Foreign income taxes	1,460
Other	1,083
Total current liabilities	9,973
OTHER LIABILITIES—Accrued consulting agreements expense (Note 5)	410
EQUITY OF SUMMA CORPORATION (net assets) (Note 7)	100,721
COMMITMENTS AND CONTINGENT LIABILITIES (Note 8)	
TOTAL	$111,104

See notes to combined financial statements.

Approved on behalf of the Board:

(Signed) W. A. KISTLER, JR., Director

(Signed) C. J. COLLIER, JR., Director

SUMMA CORPORATION — OIL TOOL DIVISION AND CERTAIN AFFILIATES

STATEMENT OF CHANGES IN COMBINED FINANCIAL POSITION

For the Three Years Ended December 31, 1971
And the Seven Months Ended July 31, 1972
(In thousands)

	Year Ended December 31 1969	1970	1971	Seven Months Ended July 31, 1972
WORKING CAPITAL PROVIDED:				
Operations:				
Historical net income	$ 9,626	$ 8,746	$ 7,298	$ 9,904
Add (deduct) items not requiring current use of working capital:				
Depreciation and amortization (Notes 3 and 6)	2,429	2,839	3,232	2,031
(Gain) loss on sales of property	(232)	40	26	33
Working capital provided by operations (excluding federal and state income taxes)	11,823	11,625	10,556	11,968
Proceeds from sales of property	1,258	279	292	149
Decrease in other assets and deferred charges	947		668	466
Increase in other liabilities	68	26	85	37
Transfers from Summa Corporation — General Office (net)	1,295		1,101	
Total working capital provided	15,391	11,930	12,702	12,620
WORKING CAPITAL APPLIED:				
Property additions	6,238	6,600	6,277	2,426
Increase in other assets and deferred charges		2,274		
Transfers to Summa Corporation — General Office (net)		939		8,417
Total working capital applied	6,238	9,813	6,277	10,843
INCREASE IN WORKING CAPITAL	$ 9,153	$ 2,117	$ 6,425	$ 1,777
CHANGES WITHIN WORKING CAPITAL:				
Increase (decrease) in current assets:				
Cash	$ 1,082	$ (760)	$ 257	$ 532
Certificates of deposit	(2,322)	117	4,433	(150)
Marketable securities			564	261
Accounts and notes receivable	3,873	(1,386)	(60)	(271)
Inventories	6,538	3,972	766	2,202
Prepaid expenses	(107)	(378)	353	(381)
Decrease (increase) in current liabilities:				
Notes payable to banks	(176)	(5)	(20)	132
Accounts payable — trade	549	(96)	658	152
Accrued foreign income taxes	(260)	365	(355)	476
Accrued liabilities — other	(24)	288	(171)	(1,176)
INCREASE IN WORKING CAPITAL	$ 9,153	$ 2,117	$ 6,425	$ 1,777

See notes to combined financial statements.

SUMMA CORPORATION — OIL TOOL DIVISION AND CERTAIN AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

For the Three Years Ended December 31, 1971
And the Seven Months Ended July 31, 1972

1. Principles of Combination

The financial statements combine the accounts of the Oil Tool Division of Summa Corporation (formerly Hughes Tool Company) and the following affiliates: Hughes Tool Company Limited, which operates in Northern Ireland; Hughes Tool Company of Australia Limited; Hughes Tool Company S.A.C.I.F.I., which operates in Argentina; and Hughes Tool Co. de Mexico, S. A. de C. V. That division and those companies comprise all of the operations related to providing products for use in the drilling industry and are to be disposed of by Summa Corporation (see "Transfer of Assets" and "Business"). All significant transactions among members of the combination have been eliminated. The accounts of the affiliated companies operating in foreign countries have been translated into United States dollars at appropriate rates of exchange. Certain combined amounts applicable to these affiliates at July 31, 1972 are summarized as follows (in thousands):

Current assets	$16,625
Property (net)	5,785
Other assets and deferred charges	733
Current liabilities (including $10,592 due to the Oil Tool Division)	13,018
Long-term debt due to the Oil Tool Division	2,179
Stockholder's equity	7,946

The Argentine subsidiary is operating under inflationary conditions and in late 1971 strict exchange controls were imposed by the Argentine government. Based on information now available management believes, however, the restrictions will not ultimately affect the ability to recover the carrying value of the investment in Argentina of $10,600,000 at July 31, 1972.

2. Inventories

Inventories are valued at the lower of average cost or market after reflecting in the combined financial statements the effect of memorandum entries to include overhead in the cost of finished products and products in process of the Oil Tool Division. These inventories are recorded on the general books of the Oil Tool Division at the average cost of materials and direct labor related thereto, all overhead being excluded in accordance with a long established practice.

The inventories are summarized as follows (in thousands):

	December 31				July 31,
	1968	1969	1970	1971	1972
Finished products	$11,143	$14,201	$15,990	$15,883	$15,449
Products in process	13,161	15,427	17,318	17,328	20,293
Raw materials and supplies	10,807	11,817	12,228	13,380	13,133
Total	35,111	41,445	45,536	46,591	48,875
Less allowance for obsolescence and shrinkage	335	131	250	539	621
Total	$34,776	$41,314	$45,286	$46,052	$48,254

3. Property

Property at July 31, 1972 is summarized as follows (in thousands):

Classification	Cost
Land	$ 1,192
Buildings and improvements	18,708
Machinery and equipment	47,128
Transportation equipment	3,049
Furniture and fixtures	1,532
Construction in progress	2,229
Total	$73,838

Depreciation is computed on the straight-line method based on the following estimated useful lives: buildings and improvements, 10 to 33 years; machinery and equipment, 6 to 12 years; transportation equipment, 3 to 8 years; and furniture and fixtures, 8 to 12 years.

Expenditures for maintenance and repairs and minor betterments are charged to operations as incurred. Expenditures for replacements and significant betterments are capitalized. Costs of assets sold or retired and the related amounts of depreciation are eliminated from the accounts, and the resulting gains or losses on disposal of the assets are taken into income.

4. Retirement Plans

The Oil Tool Division has two noncontributory retirement plans covering substantially all of its employees in the United States. See Note B to statement of combined income for retirement plan expense. The Division's policy is to fund annual retirement cost as it accrues, which cost includes the amortization of unfunded prior service cost over 30 years. At July 31, 1972 the unfunded prior service cost under the plans was $6,850,000; and the assets of the plans exceeded the actuarially computed value of vested benefits.

5. Consulting Agreements

Summa Corporation has agreements with several of its officers and key employees which provide for monthly payments for life (with a minimum of ten years) beginning with: (1) retirement at age sixty-five; (2) retirement after age sixty-five; (3) termination of regular employment before age sixty-five if at such time the officer's or employee's full years of service plus his age equals at least seventy-five, provided that the officer or employee is at least fifty-five years of age or has completed at least twenty-five years of service. The agreements also provide that the individuals, after retirement or qualified termination, will be available for consultation and will refrain from engaging in any activities in competition with the Oil Tool Division. The benefits payable under these agreements are funded by annuity contracts with an insurance company.

6. Patents

Patents developed by the Oil Tool Division are carried at a nominal value of $1 each; acquired patents are carried at cost. These costs are amortized over the statutory lives of the respective patents on the straight-line method.

7. Summary of Combined Equity

The summary of combined equity for the three years ended December 31, 1971 and for the seven months ended July 31, 1972 is as follows (in thousands):

	Year Ended December 31			Seven Months Ended July 31,
	1969	1970	1971	1972
Balance, beginning of period	$72,107	$83,028	$90,835	$ 99,234
Historical net income	9,626	8,746	7,298	9,904
Transfers (to) from Summa Corporation — General Office — net	1,295	(939)	1,101	(8,417)
Balance, end of period	$83,028	$90,835	$99,234	$100,721

8. Commitments and Contingent Liabilities

At July 31, 1972 the Oil Tool Division and certain affiliates are lessees of computer equipment and real property under long-term leases with an aggregate annual rental of $538,000. Future rental payments required under these leases are as follows (in thousands):

For the five months ending December 31, 1972	$224
For the year ending December 31:	
1973	478
1974	390
1975	79
1976	10

The Oil Tool Division and certain affiliates are committed at July 31, 1972 to purchase property costing $1,850,000.

Reference is made to "Litigation" elsewhere in this Prospectus for a description of certain legal proceedings.

9. Combined Supplementary Profit and Loss Information

Combined supplementary profit and loss information for the three years ended December 31, 1971 and for the seven months ended July 31, 1972 is as follows (in thousands):

	Charged to Cost of Sales or Operating Expenses			
	Year Ended December 31			Seven Months Ended July 31,
	1969	1970	1971	1972
Maintenance and repairs	$2,805	$3,227	$3,244	$2,029
Depreciation and amortization:				
Property	2,363	2,785	3,188	2,005
Patents	66	54	44	26
Taxes, other than on income:				
Payroll	1,650	1,771	1,801	1,087
Ad valorem	875	992	1,007	595
Sales, use, and other	656	975	877	456
Rents	1,147	1,010	1,072	657
Royalties	57	61	71	42

There were no management or service contract fees.

Purchasers' Statutory Rights of Withdrawal and Rescission

Sections 64 and 65 of The Securities Act (Ontario), sections 64 and 65 of The Securities Act (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) and sections 63 and 64 of The Securities Act (Manitoba) provide, in effect, that where a security is offered to the public in the course of distribution to the public and in certain events and subject to certain conditions:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the final prospectus or amended final prospectus offering such security is received or is deemed to be received by him or his agent; and

(b) a purchaser has the right to rescind a contract for the purchase of such security, if the final prospectus or any amended final prospectus offering such security, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such final prospectus or amended final prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide in effect that, where a security is offered to the public in the course of primary distribution, a purchaser has the same right of rescission described in (b) above while still the owner of the security and also that a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery of the written confirmation of the sale of the securities to either of them. Written notice of intention to commence an action for rescission based on non-receipt of a prospectus must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the said Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Dated: December 7, 1972.

Certificate of the Company

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part 7 of the Securities Act (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act (Manitoba), Part VII of The Securities Act (Ontario), section 13 of the Securities Act (New Brunswick), under the Securities Act (Quebec) and by the respective regulations made under said Acts.

(Signed) R. M. HOLLIDAY
Chief Executive Officer

(Signed) C. J. COLLIER, JR.
Chief Financial Officer

On behalf of the Board of Directors

(Signed) JAMES R. LESCH
Director

(Signed) LEON B. STINSON
Director

Promoter
SUMMA CORPORATION

By: (Signed) R. M. HOLLIDAY

Certificate of the Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part 7 of The Securities Act (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act (Manitoba), Part VII of The Securities Act (Ontario), section 13 of The Securities Act (New Brunswick), under the Securities Act (Quebec) and by the respective regulations made under said Acts.

MERRILL LYNCH, ROYAL SECURITIES LIMITED
By: (Signed) J. J. OLIVER

Merrill Lynch, Royal Securities Limited is, indirectly, a wholly-owned subsidiary of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

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14. REGISTRARS

The registrars of the Company are: Morgan Guaranty Trust Company of New York, 25 Wall Street, New York, New York 10015; Texas Commerce Bank National Association, 712 Main Street, Houston, Texas 77002; Crown Trust Company, 302 Bay Street, Toronto, Canada M5H 2P4; and 393 St. James Street West, Montreal, Canada.

15. INDEPENDENT AUDITORS

The independent auditors of the Company are: Haskins & Sells, 1200 Travis Street, Houston, Texas.

16. OFFICERS AND DIRECTORS

Name and Address	Office	Principal Occupation
Raymond Middleton Holliday* 450 Westminster Houston, Texas 77024	Chairman of the Board and Chief Executive Officer	Chief Executive Officer of the Company
James Richard Lesch* 12210 Broken Bough Houston, Texas 77024	President and Chief Operating Officer and Director	Chief Operating Officer of the Company
Calvin Jefferson Collier, Jr.* 8119 DeLeon Drive Houston, Texas 77017	Vice-President, Secretary and Treasurer, and Director	Vice-President, Secretary and Treasurer of the Company
Francis Trotter Alexander 7528 Del Monte Houston, Texas 77042	Vice-President, Administrative Services, and Director	Vice-President, Administrative Services of the Company
Earl Matthew Connor 11934 Broker Bough Houston, Texas 77024	Vice-President, International Sales, and Director	Vice-President, International Sales of the Company
William Arthur Kistler, Jr. 9911 Cedarhurst Houston, Texas 77035	Vice-President, Manufacturing, and Director	Vice-President, Manufacturing of the Company
Park Leslie Myers 11609 Monica Lane Houston, Texas 77024	Vice-President, U.S. and Canadian Sales, and Director	Vice-President, U.S. and Canadian Sales of the Company
Leon Berthal Stinson 238 Tamerlaine Houston, Texas 77024	Vice-President, Engineering and Research, and Director	Vice-President, Engineering and Research of the Company
Ned Barclay Ball 200 East 66th Street New York, NewYork 10021	Director	President, Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York
Maynard Ellsworth Montrose P.O. Box 1342 Rancho Santa Fe California 92067	Director	Retired
Clinton Frank Morse 3840 Del Monte Houston, Texas 77019	Director	Partner, Andrews, Kurth, Campbell & Jones, Houston, Texas
Carl Benjamin Sherman* 10223 Piermann Houston, Texas 77035	Director	President, Houston, Lighting and Power Company, Houston, Texas
John Edwin Whitmore* 13514 Kingsride Houston, Texas 77024	Director	Senior Chairman of the Board, Texas Commerce Bancshares, Inc., Houston, Texas
David Henry Garner, Jr. 8315 Dillon Houston, Texas 77017	Controller and Assistant Treasurer	Controller and Assistant Treasurer of the Company
Calvin Dorrel Sholtess 77 Bull Run River Plantation Conroe, Texas 77301	Vice-President, Industrial Product Sales	Vice-President, Industrial Product Sales of the Company
Ralph Upton 10611 Chevy Chase Houston, Texas 77042	Assistant Secretary and Assistant Treasurer	Assistant Secretary and Assistant Treasurer of the Company

* Members of the Executive Committee.

During the five years prior to taking up employment with the Company, each officer was employed in an executive capacity with Summa Corporation (formerly Hughes Tool Company — see "Management" at page 20 of the Prospectus). Each director has been employed by his present employer in an executive capacity during the previous five years, except Mr. Montrose who, prior to his retirement, was Chief Executive Officer of the Oil Tool Division of Summa Corporation.

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors, the Company hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange and the undersigned officer thereof hereby certifies that the statements and representations made in this application and in the document submitted in support thereof are true and correct.

HUGHES TOOL COMPANY

{Corporate Seal}

by: "RAYMOND M. HOLLIDAY",
Chairman, Chief Executive

CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

MERRILL LYNCH, ROYAL SECURITIES LIMITED

By: "JOSEPH J. OLIVER"

DISTRIBUTION OF COMMON STOCK AS OF JANUARY 15, 1973

Number		Shares
134	Holders of 1 — 24 share lots	1,582
583	" " 25 — 99 " "	26,734
1,149	" " 100 — 199 " "	118,253
278	" " 200 — 299 " "	56,395
122	" " 300 — 399 " "	37,369
68	" " 400 — 499 " "	27,575
160	" " 500 — 999 " "	99,410
429	" " 1000 — up " "	4,632,682
2,923	Shareholders — Total shares	5,000,000